

## Kamineni Health Care Private Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	39.08	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from Kamineni Health Care Private Limited (KHCPL) to monitor the rating(s) vide e-mail communications dated January 07, 2025, January 16, 2025, January 24, 2025, January 29, 2025, February 04, 2025, February 10, 2025, February 17, 2025, February 21, 2025, March 10, 2025, March 12, 2025, and March 17, 2025, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the rating on the basis of the best available information, which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating on bank facilities of KHCPL will now be denoted as CARE BB+; Stable; 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 rating(s).**

The last rating assigned to bank facilities of KHCPL factored in the company's experienced promoter group in the healthcare sector, diversified revenue streams across specialisations, corporate empanelment, and insurance tie-ups. It also considered KHCPL's satisfactory operating margins from FY20-FY23 (FY refer to April 01 to March 31), comfortable capital structure, and satisfactory coverage indicators, supported by a stable industry outlook. However, these strengths were partially offset by a decline in total operating income (TOI) in FY23, the company's relatively small scale of operations, dependence on a limited pool of qualified medical professionals, geographical revenue concentration, and increasing competition in the industry. Ratings also factored in the financial and operational performance of the company in 9MFY24 (UA).

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increasing TOI to ₹100 crore with healthy profit before interest, lease rentals, depreciation and taxation (PBILDT) margins of above 18% on a sustained basis.
- Improving return on capital employed (ROCE) to above 15% on a sustained basis.

#### Negative factors

- Large debt-funded capital expenditure, leading to moderating capital structure with a gearing ratio above 1.25x.
- Significantly declining profitability or TOI by over 30% y-o-y.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings' expectation that the company is likely to maintain healthy profit margins while continuing with a satisfactory financial risk profile.

### Detailed description of the key rating drivers considered in last surveillance dated March 4, 2024

#### Key strengths

##### Experienced promoter group in the healthcare industry

Kamineni Shashidhar and Vasundhara are directors, with about three decades of experience in the healthcare industry. K Suryanarayana, Chairman and Managing Director, has over five decades of experience in the metallurgy sector. The group currently has two hospitals and one diagnostic centre in Hyderabad and Vijayawada under Kamineni Hospital Pvt Ltd, Kamineni Health Services Private Limited, and Kamineni Life Science Private Limited, respectively.

<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.

### **Diversified revenue stream across specialisations**

The hospital's total income is spread across specialities with cardiology at 21%, neurology at 10.90% and orthopaedics at 7.50% in FY23. The top three departments (other than general medicine) contributed only ~43% of the total revenue in FY23 against 41% in FY22.

### **Empanelment with corporates and tie-ups with insurance companies**

KHCPL is empanelled with renowned corporates and has tie-ups with insurance companies. Currently, the company is empanelled with 17 corporate clients and 28 Insurance/TPAs. Some of its corporate clients include Bajaj Finance, KCP Cements Limited, South-Central Railway, ONGC, and Indian Bank, among others. Good Health TPA Service, Medi Assist India TPA Pvt Ltd, TATA AIG Insurance, Religare Health Insurance and Vidal Health TPA, among others, are some medical insurance companies and third-party agreements, with which the company has tie-ups. The hospital is registered with Aarogyasri programmes and employee health schemes among others.

### **Satisfactory PBILDT margin despite thin profit after tax margin in the review period**

The company has posted a satisfactory PBILDT margin in FY23. The PBILDT margin in FY23 stood at 18.43% (FY22: 18.70%). The company incurred losses till FY19 because, in the initial year of operations at Vijayawada Hospital, it could not absorb certain overheads. The company turned around from loss to profit in FY20, earning a marginal profit after tax (PAT) of ₹0.22 crore, subsequently, the company's profit levels improved, and the PAT margin stood healthy at 4.50% in FY23 (FY22: 7.37%).

### **Comfortable capital structure, improving and moderate coverage indicators**

The company's capital structure remained comfortable marked by an overall gearing ratio at 1.01x as of March 31, 2023. Debt coverage indicators deteriorated yet remained satisfactory, represented by total debt /GCA and PBILDT/interest coverage of 7.29x (PY: 4.81) and 2.31 (PY: 3.01), respectively, in FY23. This marginal deterioration is due to lower PBILDT in the review period.

### **Improved average revenue per operating bed (ARPOB)**

KHCPL had availed debt for hospital renovation and updating medical equipment. Basis the improved services such as better rooms and treatment using the latest technology, KHCPL improved its ARPOB from ₹16,119 in FY22 to ₹17,898 in FY23. This improved AROPB is expected to continue in the future years.

### **Favourable Industry Outlook**

The Healthcare industry in India comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance, and medical equipment. The industry is growing at a tremendous pace owing to its strengthening coverage, services and increasing expenditure by public and private players. Growing incidence of lifestyle diseases, rising demand for affordable healthcare delivery systems from increasing healthcare costs, technological advancements, telemedicine, rapid health insurance penetration, and government initiatives such as e-health together with tax benefits and incentives are driving India's healthcare market.

### **Key weaknesses**

#### **Declining TOI in FY23 and small scale of operations**

The company's TOI has been steadily growing from ₹28.20 crore in FY18 to ₹66.57 crore in FY22. However, in FY23, revenue declined by ~16.60% to ₹55.48 crore. Decline in TOI is from lower bed occupancy in FY23. The TOI in 9MFY24 has stood at ₹43.58 crore. However, the scale of operations continues to remain small with a moderate net worth base of ₹49.90 crore as on March 31, 2023.

#### **Dependence on scarcely available qualified medical professionals**

Qualified medical professionals such as doctors, paramedical staff, and support staff are the important requisites for a hospital to be successful and get continued patronage from the local population. The hospital highly depends on these scarcely available qualified medical professionals. Given the increasing competition and scarcity of medical specialists, the hospital's ability to retain its current pool would be important.

#### **Geographical concentration of revenue and growing competition in the industry**

Despite its established track record and continued patronage of the local population, KHCPL operates through one hospital, reflecting its geographical concentration. KHCPL is subject to competition from renowned hospitals in the region such as Manipal Hospital, and Aster Ramesh Hospital among others, which offer multispecialty medical services and competition from existing players in the region providing tertiary care services, regional private hospitals giving primary care and secondary care services and a large number of private clinics. However, KHCPL's target groups include the elite and economically weaker sections of patients, who are covered under Government schemes. The hospital has established tie-ups and affiliations with several Governmental institutions, corporations, and health insurance to ensure steady patient intake.

**Liquidity: Adequate**

KHCPL has adequate liquidity with a GCA of ~₹6.94 crore against a debt repayment obligation of ~₹4.01 crore in FY24. The company's current ratio as on March 31, 2023, was above unity at 1.69x (PY: 1.78x). KHCPL has sufficient gearing headroom to raise additional debt, overall gearing stands at 1.01x as of March 31, 2023 (PY: 0.86x). KHCPL's average utilisation of fund-based limits was 77.88% for the 12 months ended November 2023. The cash and bank balance of the company as on March 31, 2023, stood at ₹0.95 crore.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

**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

**About the company and industry****Industry classification**

Macro-economic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare services	Hospital

KHCPL was originally incorporated as Kamineni Infra Ventures Private Limited in 2007 and was renamed to its current name in 2013. Promoted by Kamineni Shashidhar, the hospital commenced operations in August 2014 with the establishment of a super-speciality hospital in Vijayawada, Andhra Pradesh. Currently, KHCPL operates with a capacity of 330 beds, including 78 Intensive Care Unit (ICU) beds, 45 for critical care, and 207 in the general ward, with an operational capacity of 250 beds. The hospital is equipped with state-of-the-art medical technology and staffed by highly qualified and experienced doctors and surgeons. KHCPL is a part of the Hyderabad-based Kamineni Group, a key player in the healthcare sector. The group also operates Kamineni Hospitals, a 1,200-bed multi-speciality hospital in Hyderabad, which has been in operation since 1995. Kamineni Hospitals provide comprehensive medical care across multiple specialities, including cardiology, neurology, gastroenterology, pulmonology, nephrology, orthopaedics, and critical care.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	66.57	55.48	43.58
PBILDT	12.45	10.22	9.24
PAT	4.91	2.50	1.50
Overall gearing (times)	0.86	1.01	0.95
Interest coverage (times)	3.01	2.31	2.49

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-Cash Credit		-	-	-	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	31/10/2030	34.08	CARE BB+; Stable; 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	34.08	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (04-Mar-24)	1)CARE BBB-; Stable (15-Mar-23)	1)CARE BBB-; Stable (25-Feb-22)
2	Fund-based - LT-Cash Credit	LT	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (04-Mar-24)	1)CARE BBB-; Stable (15-Mar-23)	1)CARE BBB-; Stable (25-Feb-22)

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

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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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