GLOBAL HEALTH PATLIPUTRA PRIVATE LIMITED

January 23, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	365.00	CARE A; Positive	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to Global Health Patliputra Pvt Ltd (GHPPL) derives strength from parental support, i.e. Global Health Limited (GHL), also known as Mendanta group, and its experienced and qualified promoter, Dr Naresh Trehan.
GHPPL was established by GHL to execute and operate 'Jay Prabha Medanta Super Speciality Hospital' in Patna. This was a greenfield project whose operations commenced in H2FY22 providing geographical diversification to GHL by targeting Eastern region of India. The hospital benefits immensely from the healthy reputation of Medanta group of hospitals and its promoter, Dr. Naresh Trehan, a world-renowned cardiovascular and cardiothoracic surgeon which mitigates challenges in bed occupancy rates initially. The group has successfully executed and quickly ramped up its operations historically, with latest being the Lucknow hospital housed under GHL's subsidiary - Medanta Holdings Pvt Ltd (MHPL). Further, the arrangement with Government of Bihar reserving 25% beds under its schemes, further provides support for moderate bed occupancy rates over the medium term. The corporate guarantee and shortfall undertaking along with significant equity infusion upfront accentuates the strong financial support from the parent mitigating below average debt coverage metrics at standalone level. However, being in healthcare services, both parent, GHL, and GHPPL are exposed to regulatory risk.
CARE has also factored in the successful initial public offer (IPO) of GHL, the parent of GHPPL having raised ~Rs.500 crore in fresh issue in November 2022, out of which atleast 75% of the proceeds will be utilized in prepayment of its term loans, present in its subsidiaries i.e. GHPPL & MHPL. The utilization of those proceeds would a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit risk profile of the parent company
- Completion of the project and PBILDT margins of 15% upwards, and thus contributing meaningfully to the overall profitability of GHL.
- Substantial reduction in debt levels and improvement in debt coverage indicators.

Negative factors

- Deterioration in the credit profile of the parent.
- Any change in stance on supporting GHPPL by the parent company or reduction in shareholding by anyways where GHL losses control over GHPPL.
- Significantly lower than un-envisaged levels of revenues and operating margin (i.e. below 8-10%) over the long term

Analytical approach: Standalone.
The ratings however factor in the strong Operational, Management and financial linkages with the Parent entity (GHL) owing to GHPPL being ~100% subsidiary of GHL with **Common management, Board of directors, Brand name and cash flow fungibility**. Further, GHL has provided Corporate Guarantee and Shortfall Undertaking to the banker of GHPPL.
Note: Further for Analysing GHL– Consolidated financials of GHL are considered which also incorporates the support to be extended to GHPPL. The list of subsidiaries is as mentioned in Annexure – 5.

Outlook: Positive

'Positive' outlook to the long-term rating of GHPPL underscores expectations of sustained improvement in the credit profile of the parent company over the medium term, particularly its business risk profile, and its benefit percolating to GHL's subsidiaries including GHPPL. GHPPL is expected to quickly scale up its Patna hospital operations supported by incremental addition in installed beds and improvement in bed occupancy rate, which are majorly driven by the support from the parent company, both operational and financial in nature.
The outlook may be revised to 'Stable' in case parent company's overall credit profile doesn't incrementally strengthen as envisaged or at standalone level GHPPL's profile operations requires longer timeframe to stabilize.

Key strengths

Strong parentage, experienced & highly qualified ultimate promoter: Global Health Patliputra Pvt Ltd is a wholly owned subsidiary of GHL, considering shares allotted to Dr. Naresh Trehan as a nominee of GHL, which operates Medanta group of multi-speciality hospitals located across Gurugram (Haryana), Lucknow (Uttar Pradesh), Indore (Madhya Pradesh), Ranchi (Jharkhand)

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

and recently opened hospital in Patna (Bihar). GHL was incorporated by Dr Naresh Trehan, a world-renowned cardiovascular and cardiothoracic surgeon in 2004. GHPPL's operations will be benefit immensely from reputation of Dr. Trehan who also has over two decades of experience in Escorts Heart Institute & Research Centre. His expertise and standing has been instrumental in developing a strong reputation for Medanta group of hospitals, particularly in National Capital Region.
The company has two wholly-owned subsidiaries, namely, Medanta Holdings Private Limited (MHPL) and GHPPL. MHPL and GHPPL house Medanta group's Lucknow and Patna hospitals, respectively. As on June 30, 2022. The group's cumulative bed capacity stood at ~2500 as on June 30, 2022, and is expected to increase its bed capacity to 3,500 beds by FY25 through greenfield and brownfield expansions.

Execution and operational support by the parent: GHPPL is expected to draw synergies from existing chain of hospitals of the parent. The reputation of the Medanta group of hospitals and Dr. Naresh Tehran along with the referrals from GHL's diagnostic centres are expected to help the company quickly ramp up its bed occupancy. Apart from that, GHL has existing supply chain which may also aid the Patna operations. The establishment of Patna hospital has been largely supported by GHL, having infused Rs.297 crore as on March 31, 2022. The parent has extended both corporate guarantee and shortfall undertaking for the bank loan facilities advanced to GHPPL along with infusion of funds in FY23 as well.

Moderately low project risk: GHPPL had commenced its operations in H2FY22 with 100 beds and has received permission for 300 beds from Govt of Bihar as of July 7, 2022. Currently, the Patna hospital has 330 bed capacity. The hospital is expected to install additional bed capacity upto 650 in total over the medium term which are expected to come up in phases. Considering the hospital has been operationalized, there is limited project risk emanating from expansion of hospital beds.

Key weaknesses

Nascent stage of operations leading to challenges in bed occupancy rate: GHPPL started its commercial operations in H2FY22 and has a relatively short track record of operations. The company's scale of operations has remained small marked by net sales of Rs.24 crore during FY22 and Rs.28 cr in Q1FY23. Furthermore, post project implementation risk in the form of stabilization of the facilities to achieve the envisaged scale of business remains crucial for GHPPL. With the inching up of occupancy rate every quarter, the company is expected to book revenue around Rs.150 crore in FY23 and continue its growth trajectory in line with expected enhancement of installed beds. The ability to scale up would also reflect on its profitability and hence both are key monitorables.

Below average debt coverage metrics at standalone level: Subdued profitability during initial years of operations is expected to keep debt coverage metrics below average since the gestation period in hospitals is relatively long. However, the company has the financial flexibility derived by the healthy cash & cash equivalents with the parent company i.e. GHL.

Exposure to regulatory risk: GHPPL operates in a regulated industry that has witnessed continuous regulatory intervention during the past couple of years. There have been regulations such as the capping of stent prices and knee implants and stricter compliance norms. Any such future regulations may have an adverse impact on the company's and the parent's profitability, and thus, will remain an important monitorable.

Liquidity: Adequate
Adequate liquidity is driven by continuous equity infusion from the parent which has strong liquidity. Corporate guarantee and shortfall undertaking has been extended by the parent to GHPPL's lender as well. The company's term loan repayments are ballooning in nature (in the range of Rs.20-32 crore during FY24 and FY25) and initially the parent is expected to support its servicing till the operations of the company stabilize.
The parent company's gross cash accrual are expected at Rs 330-400 crore per annum over FY23 to FY25 which is expected to cover its repayment obligations of about Rs.90-120 cr annually till FY25. Liquidity is supported by healthy cash & cash equivalents of around Rs.500 crore as on March 31, 2022. Further the company has received additional Rs.500 crore from IPO in fresh issue which will be utilized to reduce debt and other general corporate purposes. This along with healthy capital structure estimated after reduction of debt, provides significant headroom to raise debt if required.

Applicable criteria

Policy on default recognition
Consolidation
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Hospital
Service Sector Companies
Policy on Withdrawal of Ratings

About the company - GHPPL

GHPPL is part of the Medanta Group and a wholly-owned subsidiary of Global Health Limited (GHL), the group's flagship company. GHPPL owns and operates the group's newly launched Jay Prabha Medanta Super Speciality Hospital in Patna, Bihar. The hospital's OPD facility was launched in 2020 whereas its IPD facility was inaugurated in H2FY22. As on June 30, 2022, the installed beds were 228 and is expected to scale upto 650 beds over the medium to long term.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	0.23	25.28	28.02
PBILDT	-6.15	-25.97	-112.58
PAT	-16.35	-45.81	NA
Overall gearing (times)	1.58	1.62	
Interest coverage (times)	-0.80	-2.20	

A: Audited; UA: Un-Audited

About the parent company

GHL was incorporated as 'Global Health Private Limited' on August 13, 2004 by Dr Naresh Trehan, a world-renowned cardiovascular and cardiothoracic surgeon. A world-class, super-specialty, tertiary-care hospital in Gurugram, Medanta commenced operations in November 2009 and currently has cumulative bed count at over 2,467 as on June 30, 2022. The company has two wholly-owned subsidiaries, namely, Medanta Holdings Private Limited (MHPL) and GHPPL. MHPL and GHPPL house Medanta group's Lucknow and Patna hospitals, respectively, both of which commenced operations in H1FY21 and H2FY22, respectively.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	1435.28	2161.54	617.21
PBILDT	194.25	457.94	132.31
PAT	28.81	196.20	58.71
Overall gearing (times)	0.68	0.69	0.63
Interest coverage (times)	2.67	5.30	7.14

A: Audited; UA: Un-Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Not Applicable

Complexity level of the various instruments rated: Annexure-3

Lender details: Annexure-4

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 along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	12-07-2031	365.00	CARE A; Positive

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	365.00	CARE A; Positive	-	-	-	-

*Long term/Short term.

Annexure-3: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-4: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure-5: List of Subsidiaries consolidated for GHL

Name of Entity	% Ownership	Relation with GHL
Medanta Holdings Private Limited (MHPL)	Almost 100%	Subsidiary
Global Health Patliputra Private Limited (GHPPL)	Almost 100%	Subsidiary
GHL Pharma & Diagnostic Private Limited (GHL Pharma)	Almost 100%	Subsidiary

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About us:

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