

Manipal Healthcare Private Limited

January 24, 2022

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Non Convertible Debentures	500.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Total Long Term Instruments	500.00 (Rs. Five Hundred Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating of Non-Convertible debenture issue of Manipal Healthcare Private Limited (MHPL) is constrained by absence of cashflows of entity which necessitates timely refinancing of NCD. While the underlying entities, especially Manipal Health Enterprises Private Limited (MHEPL), which has provided pledge of shares have satisfactory credit profile but these entities being unlisted, their shares are illiquid. Nevertheless, the rating draws strength from company being part of resourceful Manipal Education and Medical Group (MEMG) which can raise debt in other group companies to refinance the rated NCD.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Listing of MHEPL and security cover from its share pledge to be more than 3x of NCD amount (including interest accrued).

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Non-adherence to transaction structure.
- Exercise of Put option by debenture trustee or non-visibility on NCD refinancing 3 months before the redemption date.

Detailed description of the key rating drivers

Key Rating Strengths

Part of resourceful Manipal Education and Medical Group: MEMG was started by late Dr. Tonse Madhava Ananth Pai (T.M.A Pai), for establishing its presence in education and healthcare sector. Currently, the group is headed by Mr. Ramdas Pai (honored with Padma Bhushan in 2011), son of Dr. T.M.A Pai having experience of more than five decades in the field of education and healthcare services industry. He is assisted by his son, Dr. Ranjan Pai who also has extensive experience of around two decades in running and managing healthcare and education businesses.

Apart from others, MEMG has presence in insurance (through ManipalCigna Health Insurance Company Limited), healthcare (through MHEPL) and education vertical (both profit and not-for-profit). MEMG Family Office LLP, which is an investment arm of group with networth of Rs. 769 crore as on March 31, 2021, has provided Corporate Guarantee to secure the rated NCD.

Key Rating Weaknesses

NCD redemption exposed to refinancing risk: Manipal Healthcare Private Limited is a holding entity with no operational cashflows and therefore NCD redemption is exposed to refinancing risk. As per terms, coupon on NCD is being accrued and would be repaid at the time of redemption. Redemption risk is also heightened by availability of right to exercise put option by debenture trustee at any point of time after 3 years of issue date (i.e. March 26, 2022) giving 90 days time to redeem the rated NCD. Nevertheless, refinancing risk is partly mitigated by call option available with company, adequate security cover and company being part of large and resourceful Manipal Education and Medical Group.

NCDs secured by pledge of shares of unlisted entities and therefore are illiquid: NCDs of company is backed by Non-Disposal Undertaking/ pledge of shares of various unlisted entities including MHEPL, Manipal Global Education Services Private Limited etc. These entities being unlisted, their shares are illiquid and their valuation cannot be determined on regular basis.

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

Liquidity: Stretched

NCDs of company being backed by shares of unlisted entities are illiquid and therefore NCD redemption is highly dependent upon timely refinancing. Refinancing risk is partly mitigated by company being part of resourceful MEMG group which in the past has demonstrated fund raising capability from various investors and lenders.

Analytical approach: Standalone along with transactional features of rated NCD.

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Investment Holding Companies](#)

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

[Rating Outlook and Credit Watch](#)

About the Company

Manipal Healthcare Private Limited (MHPL) is a non-operating investment holding entity belonging to Manipal Education and Medical group. The group has business interests in education, healthcare and insurance segment.

Company has raised rated NCDs for investment in MEMG India Private Limited which is into providing consultancy services to group companies. NCDs are also secured by MEMG Family Office LLP which is the family investment arm of Dr. Ranjan Pai, Chairman of MEMG, holding investments in various companies.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	30-09-2021(UA)
Total operating income	0.20	0.67	0.41
PBILDT	-3.66	0.27	0.28
PAT	-82.45	-87.37	-45.17
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	0.00	0.01

A: Audited| UA: Un-audited| NM: Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE598T07012	March 26, 2019	15.75%	March 25, 2024	500.00	CARE BB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Debentures-Non Convertible Debentures	LT	500.00	CARE BB; Stable	-	-	-	-

* Long Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	Security cover of 2.75x till redemption on debenture outstanding. Coupon will be due and payable on the redemption date
B. Non financial covenants	Both parties have right to exercise Put and Call option after 36 months from Issue date by giving prior notice of 90 days

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non Convertible Debentures	Simple

Annexure 5: Bank Lender Details for this Company:

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

Contact us

Media Contact

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Himanshu Jain
Contact no.: 8123793395
Email ID: himanshu.jain@careedge.in

Relationship Contact

Name: Pradeep Kumar V
Contact no.: +91-98407 54521
Email ID: pradeep.kumar@careedge.in

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