

## Rajagiri Healthcare and Education Trust

February 27, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	436.61	CARE BBB+; Stable	Assigned
Short-term bank facilities	46.00	CARE A2	Assigned

Details of facilities in Annexure-1

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Rajagiri Healthcare and Education Trust (RHET) derive strength from the experienced and resourceful management, qualified and experienced doctors, comfortable occupancy levels with well-equipped facilities, and improved profitability margins. However, the ratings are constrained by leveraged capital structure and geographical concentration of income and dependence on scarcely available qualified medical professionals.

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

#### Positive factors

- Ability of the hospital to improve the revenue to over ₹500 crore on sustained basis while maintaining SBID margins above 22% on a sustained basis.
- Improve debt protection metrics with total debt to gross cash accruals (TD/GCA) of below 3x.

#### Negative factors

- Any further large debt-funded capex leading to moderation in leverage ratios beyond current levels.
- Any consistent drop in the occupancy levels below 70%.

**Analytical approach:** Standalone

### Key strengths

#### Established parent and experienced management

RHET is managed by Carmelites of Mary Immaculate (CMI), which is the first indigenous religious congregation in the Catholic Church of India, formed in 1855. The CMI group has set up various educational institutions all over India and is successfully running over 480 educational institutions, from Kindergarten to Medical College, including Christ University (Bangalore), Rajagiri Group of Institutions (Kochi), Amala Medical College (Thrissur), and SH College (Kochi). The Executive Director along with the Executive Council leads the Hospital. The Executive Council consists of highly skilled and experienced professionals in healthcare and allied areas.

#### Comfortable occupancy levels with well-equipped facilities

RHET runs a 650-bed tertiary care multi super speciality hospital located on a 30-acre plot at Chunangamvely, Alwaye (Kerala), and is the closest facility to the Cochin International Airport. The hospital is equipped with latest facilities and has several departments, including neurology, interventional cardiology, cardiothoracic and vascular surgery, nephrology, urology, oncology, gastroenterology, paediatrics, etc., with major contributor being gastro-intestinal and oncology departments. The occupancy level stood comfortable at 80% in FY22 and 82% in H1FY23 (refers to the period April 01 to September 30, 2022). The average revenue per occupied bed (ARPOB) also increased over the years with addition of latest equipment to ₹30,246 in H1FY23 from ₹22,257 in FY20.

#### Improved profitability margins

The operating income of the trust had grown at the compounded annual growth rate (CAGR) of 21.68% over past three years and stood at ₹391.10 crore in FY22. The SBID margin of the hospital had consistently improved over the year with addition of new departments and advanced treatment procedures. The SBID margin improved to 24.08% in 10mFY23 (refers to the period April 01 to January 31, 2023) from 8.68% in FY19.

### Key weaknesses

#### Geographically concentrated revenue base

The hospital commenced operations during the year 2014 with 500 beds. The hospital completed Phase-II expansion of 150 beds during December 2021. The Trust reported net losses till FY21 due to higher depreciation and initial stage of operations of the

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

hospital. The revenue is concentrated with a single location hospital at Chunangamvely, Kerala. The hospital faces competition from well-established multi-specialty hospitals in Cochin, providing tertiary health care services.

#### Moderate capital structure and debt coverage indicators

The capital structure of the hospital is moderate with overall gearing of 5.45x as on March 31, 2022, compared with 6.80x as on March 31, 2021. The debt protection metrics also stood moderate with TD/ GCA of 8.49x as on March 31, 2022, albeit improved from 27.42x as on March 31, 2021.

#### Dependence on scarcely available qualified medical professionals

The presence of qualified medical professionals such as doctors, paramedical staff and support staff is one of the important requisites of a hospital to be successful and to get continued patronage from the local population. The doctors per bed for RHET stood relatively low in the range of 0.42x. Given the increasing competition and the scarcity of medical specialists, the ability of the trust to increase the current pool of doctors would be a key differentiator. RHET has a large number of reputed doctors on its rolls who have vast experience in their respective areas. Most of the top doctors in Rajagiri Hospital are associated with the hospital since the commencement of operations.

#### Industry Outlook

The hospital industry in India is witnessing healthy demand from both global and domestic investors. The Government's plans to increase budgetary allocation for public health spending to 2.5% of the country's GDP by 2025, will benefit the hospital sector as well. There is good demand for tertiary care hospitals and specialty hospitals, in particular. Currently, a considerable gap exists between the number of beds available and the number of beds required. India's hospital bed density is less than half the global average of three hospital beds per 1,000 population, implying that an estimated 2.2 million beds will be required over the next 15 years.

#### Liquidity: Adequate

The liquidity is adequate marked by sufficient cushion in accruals of ₹54.9 crore in FY22 against repayment obligations of ₹12.9 crore in FY23 and cash balance of ₹19.5 crore as on March 31, 2022. Due to the cash and carry nature of business and the healthy accruals, the liquidity position of the hospital has been healthy and the dependence on the working capital borrowings has been generally low with negative working capital cycle. RHET had been sanctioned working capital limits of ₹30 crore and the average utilisation stood at 56% for 12 months ended January 2023. The hospital maintains inventory of medicines and consumables for a period of 10-15 days. The debtors include receivables from insurance companies and other corporates, which contribute around 30% of the total income. These receivables are collected within a maximum span of 1 month. The hospital enjoys a credit period of about 50-60 days from its suppliers for medicine and expenses.

#### Applicable criteria

[Policy on default recognition](#)  
[Financial Ratios – Non financial Sector](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Credit Watch](#)  
[Short Term Instruments](#)  
[Hospital](#)

#### About the Trust and Industry

##### Industry classification

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

Rajagiri Healthcare and Education Trust (RHET) was registered as a Charitable trust in November 2010 in Kerala. The Trust runs a 650-bed tertiary care multi super speciality hospital located on a 30-acre plot at Chunangamvely, Alwaye (Kerala). The hospital is accredited by the National Accreditation Board for Hospitals and Healthcare Providers (NABH) and has various departments, such as neurology, interventional cardiology, cardiothoracic and vascular surgery, nephrology, urology, oncology, gastroenterology, paediatrics, etc., equipped with latest health care facilities. RHET is promoted by CMI Congregation, a long-standing and first indigenous religious congregation in the Catholic Church of India setup in 1855.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	10mFY23 (UA)
Total operating income	265.0	391.1	421.9
SBID	30.1	59.6	101.6
Surplus	(3.8)	18.1	49.8
Overall gearing (times)	6.80	5.45	NA
Interest coverage (times)	1.68	2.63	3.61

A: Audited; UA: Unaudited; NA: Not available

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

**Complexity level of various 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	March 2038	426.61	CARE BBB+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	15.00	CARE A2
Non-fund-based - ST-Bank Guarantee		-	-	-	13.00	CARE A2
Non-fund-based - ST-Forward Contract		-	-	-	3.00	CARE A2
Non-fund-based - ST-Letter of credit		-	-	-	15.00	CARE A2

#### Annexure-2: Rating history of 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	426.61	CARE BBB+; Stable				
2	Fund-based - ST-Bank Overdraft	ST	15.00	CARE A2				
3	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB+; Stable				
4	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A2				
5	Non-fund-based - ST-Bank Guarantee	ST	13.00	CARE A2				
6	Non-fund-based - ST-Forward Contract	ST	3.00	CARE A2				

\*Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not applicable**

**Annexure-4: Complexity level of various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Forward Contract	Simple
6	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Lender details**

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

**Note on 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](mailto:care@careedge.in) for any clarifications.

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