

EMRI Green Health Services

December 28, 2022

Ratings

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	31.65	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	45.41	CARE A-; Stable / CARE A2 (Single A Minus; Outlook: Stable/ A Two)	Reaffirmed
Total Bank Facilities	77.06 (₹ Seventy-Seven Crore and Six Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings assigned to the bank facilities of EMRI Green Health Services (EGHS) (previously known as GVK EMRI) continue to derive strength from proven track record of the society in providing medical emergency management services with a diversified presence across India, well experienced governing members and management team, efficient operational performance resulting in lower expenditure per ambulance. The rating continues to remain underpinned by healthy financial risk profile backed by increasing scale of income during FY22 (refers to the period April 01 to March 31) and 8MFY23 coupled with strong net worth base. However, the rating strengths are partially offset by elongated collection period due to a tad delay in realization of bills from few state government authorities, significant exposure in term of loans extended to associate societies (outside consolidation), competition from local hospitals and other private ambulance service providers and risk of appointment of new service provider upon expiry of agreement.

Rating Sensitivities

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

- ✓ Improvement in collection period and operating cycle to less than a month.
- ✓ PBILD margin improving to above 10% while demonstrating growth in TOI.

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

- ✗ Cancellation of existing projects/inability of the society to renew existing projects.
- ✗ Average collection period elongating beyond 100 days, going forward
- ✗ Dependence on one project (MOU/tender) contributing over 50% of the total income of society

Detailed description of the key rating drivers

Key Rating Strengths

Pioneer in the field of emergency management services with diversified presence across India: As a not-for-profit professional organization operating in the Public Private Partnership model, EGHS is one of the largest professional Emergency Service Providers in India. Since inception, the Society has made substantial progress in providing Emergency Response Services across the country.

Established board of governing members and senior management: The governing board of EGHS comprises eminent individuals to provide strong thrust to the initiative. Mr. G.V. Krishna Reddy, Founder and Chairman of GVK, a diversified business enterprise with interests in a wide range of businesses including power generation, airport operations and management, roads, urban infrastructure, bio-science, hospitality services and manufacturing sectors is the Chairman of EGHS.

Operating efficiencies resulting in lower expenditure per ambulance: EGHS has been able to operate below the state government budgeted cost per ambulance because of detailed study and understanding of location specific requirements, logistics efficiencies resulting in lower fuel cost and lower utilization of grant. The ability to operate efficiently has helped EGHS in receiving new contracts from various other state governments.

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

Continuous growth in the total income receipt albeit declined in the profitability during FY22:

The income for the society consists of grants received, reimbursement of operational expenses from state governments and other income (primarily donations and income from training). The donations received are considered as revenue receipt as it is a non-profit organization. The total income of EGHS is consolidation of revenue from 16 states, 3 UTs and service income from corporates for providing ambulance services. The income of society continues to increase and has registered a Y-o-Y growth of 19% to Rs. 1,815 crore for FY22 as against Rs.1,527 crore for FY21 on account of increase in the emergency services provided by EGHS backed by higher spending by the government for these services. There was also an elevation for the per ambulance per month rate for its MOU and tender based projects, which also contributed for the growth in income.

The SBID margins deteriorated though remained satisfactory at 9.41% in FY22 from 12.37% in FY21, due to increase in OPEX, where the major pie includes salaries and power fuel expenses.

During 8MFY23, the society reported total operating income of Rs.1104.71 crore with SBID of Rs 134.51 crore and surplus of Rs 126.94 crore.

Favourable capital structure and comfortable debt protection metrics: Overall gearing of the society has remained comfortable and below unity at 0.03x as on March 31, 2022 (0.04x as on March 31, 2021). The total debt to GCA of the society improved to 0.12x during FY22 from 0.14x during FY21 on account of moderate utilization of fund-based working capital limits and improvement in GCA levels. SBID interest coverage ratio remained healthy at 20.16x during FY22 on account of higher SBID levels and marginally lower interest expenses.

Stable long-term outlook for the healthcare sector in India: Indian healthcare industry has been growing at a CAGR of about 14% to 15% since 2016. Hospitals, forming 60% to 70% of the healthcare sector, are expected to report about 15% of revenue growth and expansion of operating margins by 300 to 400 basis points during FY23. Sharp recovery in topline is driven by higher occupancy, release of deferred non-Covid surgeries, higher ARPOB and increased bed capacity of hospital chains. The revenue growth of hospitals is expected to revert to pre-Covid levels of 10% to 12% for FY23 and FY24, respectively. Prudent expansion plans of the hospitals, better health insurance penetration, increasing investments in the healthcare industry and increasing public and private health spend are expected to aid the healthcare industry to surpass USD 130 billion by FY24

Liquidity analysis – Strong

Liquidity is marked by strong accruals against zero repayment obligations and cash & liquid investments to the tune of around Rs.210.45 crore as on March 31, 2022. Its unutilized bank lines are more than adequate to meet its incremental working capital needs over the next one year. The liquidity is further supported by current ratio and quick ratio of 2.85x and 2.83x, respectively, as on March 31, 2022.

Key Rating Weaknesses

Moderate working capital cycle during FY22: The working capital cycle of the society stood moderate at 60 days during FY22 (71 days during FY21) with collection period of 71 days in FY22. The society normally realises bills in a months' time however, there were few states, where the realization is delayed upto 2-3 months. During FY21, many state government offices were running with limited staff, resulting in the delay in collection, however, as when the Covid relaxation were announced by the government, the office started resuming with full capacity, which has further help to process the bill faster, which is reflected in its collection days during FY22. EGHS will receive 80% of the bills within 30 days from the end of the month and remaining 20% in next 30 days. The society has sufficient cash balance and liquidity for operational purposes. The average utilization of fund based working capital limits for the past 12 months ending November 2022 stood at 62%.

Significant investment in group companies outside consolidation: The society has given advances to its group companies outside consolidation namely Emergency Dhatri Sishu Care Foundation (Formerly Known as GVK Janani Shishu Suraksha (UP), 108 Emergency Medical Transport (East), 108 Emergency Medical Transport (West) and 102 Mother Child Services amounting to Rs 257.45 crore in FY22 (PY: Rs. 276.21 crore). This amount is advanced as unsecured loans and shall be recovered once the group companies obtains the same from respective government.

Risk of appointment of new service provider upon expiry of agreement: As per MOUs/ tender signed with state governments, the agreements are valid for a set period unless extended further by mutual agreement for MoUs and extendable maximum up to two years in case of tenders, thereby, exposing the society to the replacement risk.

Risk of penalty being imposed on EGHS in tender based projects: The tender based projects require company to achieve at a certain number of trips/ambulance/months, failing which the company faces risk of penalty being imposed by respective state governments.

Competition from local hospitals and other private ambulance service providers: Currently, there is no clear law in India which clearly defines 'ambulance service'. As a result, any company/individual can register a vehicle as ambulance if there is a stretcher and oxygen cylinder available on board. Hence there are numerous local / private service providers. Also, major healthcare companies are providing similar services such as Apollo Emergency Care. However, competition intensity is expected to be low as the group provides this service free of cost to the public through the support of state Govt. which other private operates may not be able to match.

Analytical approach: Consolidated

Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hospital](#)

[Service Sector Companies](#)

About the Society

EMRI Green Health Services (EGHS) (Previously known as GVK Emergency Management and Research Institute (GVK EMRI) is the flagship society was established in the year 2005 as a charitable institution /non-profit society registered in Andhra Pradesh in the name of Emergency Management and Research Institute (EMRI), with a vision to provide free emergency response services to citizens under Public Private Partnership (PPP) model. In 2009, GVK group took over the management responsibility of EMRI. As a not-for-profit professional organization operating in the PPP model, EGHS is the largest professional emergency service provider in India presently. The entity handles medical, police, fire emergencies through the "108 Emergency services", which is a free service delivered through state-of-the-art emergency call response centres. It also manages various helpline numbers, sponsored by the government and acts as a first responders in case of any emergencies. EGHS operates over 9,310 ambulances across 16 states and 3 union territories (UTs) viz., Andhra Pradesh, Telangana, Gujarat, Uttarakhand, Tamil Nadu, Karnataka, Assam, Meghalaya, Himachal Pradesh, Chhattisgarh, Rajasthan, West Bengal, Uttar Pradesh, Arunachal Pradesh, Kerala, Delhi, Goa, Dadra & Nagar Haveli and Daman & Diu. EGHS has recently started a Hospital named GVK EMRI Hospital in June, 2021 with 50-bed multi-specialty services located near Kompally, Hyderabad.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	8MFY23 (Prov.)
Total operating income	1526.96	1814.81	1104.71
SBID	188.86	171.73	134.51
Surplus	167.66	148.30	126.94
Overall gearing (times)	0.04	0.03	-
Interest coverage (times)	35.08	20.16	62.85

A: Audited, Prov: Provisional,

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	31.65	CARE A-; Stable
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	45.41	CARE A-; Stable / 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-Bank Overdraft	LT	31.65	CARE A-; Stable	-	1)CARE A-; Stable (25-Mar-22)	1)CARE BBB+; Stable (19-Feb-21) 2)CARE BBB+; Stable (17-Jul-20)	1)CARE BBB+; Stable (06-Jan-20) 2)CARE BBB+; Stable (04-Jun-19)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	45.41	CARE A-; Stable / CARE A2	-	1)CARE A-; Stable / CARE A2 (25-Mar-22)	1)CARE BBB+; Stable / CARE A3+ (19-Feb-21) 2)CARE BBB+; Stable / CARE A3+ (17-Jul-20)	1)CARE BBB+; Stable / CARE A3+ (06-Jan-20) 2)CARE BBB+; Stable / CARE A3+ (04-Jun-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this companyTo 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 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: Nivedita Anirudh Ghayal
Contact no.: 9908090944
Email ID: nivedita.ghayal@careedge.in

Relationship Contact

Name: Ramesh Bob Asineparthi
Contact no.: +91 90520 00521
Email ID: ramesh.bob@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**