GPT Healthcare Private Limited

September 8, 2017

Ratings

Facilities[@]	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	6.40	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Reaffirmed**
Total	**6.40 (Rs. Six crore forty lakh only)**		
Non-Convertible Debenture	10.00	**CARE BBB-;Stable (Triple B Minus, Outlook: Stable)**	**Reaffirmed**

[@] *Details of facilities in Annexure-1*

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facility of GPT Healthcare Private Limited continues to derive comfort from the long experience of promoters, slight improvement in financial performance in FY17 (refers to the period April 1 to March 31) marked by higher occupancy rate and moderate financial risk profile. However, the rating continued to be constrained by fragmented nature of industry, capital intensive nature of business, high vulnerability to treatment-related & operating risks and risk associated with the setting up a new hospital. The ability of the company to improve occupancy level (particularly of Agartala unit) and successful commissioning of new hospital within the estimated cost & time would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: Dr. Om Tantia, Managing Director of GPTHPL, is a qualified and renowned laparoscopic surgeon in Eastern India. He has about three decades of experience in the healthcare sector. He looks after the day-to-day affairs of the company along with support of experienced professionals.

Improvement in occupancy rate and average revenue per bed: GPTHPL's overall occupancy rate improved from 44.06% in FY16 to 46.78% in FY17. However, Agartala unit continued to remain under-utilized due to low income profile of consumers in the state and consumers preference to avail the critical medical treatment in metro cities. The overall occupancy remained stable at 42.22% in Q1FY18.

Improvement in financial performance in FY17: GPTHPL's total operating income grew by 14.08% y-o-y to Rs.133.20 crore in FY17 driven by both higher occupancy rate and improved average revenue per bed. PBILDT margin declined marginally from 16.88% in FY16 to 15.21% in FY17. However, on absolute basis, PBILDT increased by 2.77% y-o-y to Rs.20.26 crore in FY17. Interest coverage ratio also remained stable at 1.88x in FY17. The company reported GCA of Rs.11.8 crore in FY17 as against Rs.10.80 crore in FY16.

Moderate financial risk profile: Overall gearing remained relatively stable at 0.82x in Mar'17. Even after considering the impact of proposed debt to be availed for the upcoming hospital, the capital structure of the company will remain at moderate level over the next two years. Total debt/GCA marginally improved from 7.66x as on Mar.31, 2016 to 7.04x as on Mar.31, 2017 mainly due to higher GCA.

Key Rating Weaknesses

Capital intensive nature of business: Hospital industry is a capital intensive industry with long gestation period. Generally, new hospital takes around 2-3 years timeframe to breakeven at PBILDT levels due to low occupancy rate in the initial period of operation. Thus, it is quite important for the promoter to support the operation until the occupancy rate reaches to the minimum desired level of occupancy rate. Further, the maintenance capex required for the hospital industry also remains high owing to regular replacement of equipment's to update with the latest technology.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

Fragmented industry: The hospitality sector is highly fragmented with few large players in the organised sector and numerous small players in the unorganised sector leading to high level of competition in the business. Thus, differentiating factors like range of services offered, quality of service, pedigree of doctors, success rate in treatment of complex cases, etc. will be crucial in order to attract patients and increase occupancy.

High vulnerability to treatment-related and operating risks: Healthcare is a highly sensitive sector where any mishandling of a case or negligence on part of any doctor and/or staff of the unit can lead to distrust among the masses. Thus, all the healthcare providers need to monitor each case diligently and maintain high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent.

Project risks: GPTHPL is in the process of setting up a new hospital in Howrah, West Bengal with a total project cost of Rs.70 crore, which would be financed by internal accrual of Rs.20.0 crore and the balance by term loan of Rs.50.0 crore. The financial closure of the debt portion is yet to be tied up. The proposed hospital is expected to become operational by April 2019.
Analytical approach: The rating is based on standalone financials.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector

About the Company
GPT Healthcare Pvt Ltd (GPTHPL), incorporated in 1989 as Jibansatya Printing House Pvt Ltd by Kolkata-based GPT Group. The company is engaged into healthcare business since 2005 and operates two multi-specialty hospitals in Kolkata, West Bengal (having 83-bed hospital in Salt Lake and 118-bed multi-specialty hospital in Dumdum) and one in Agartala, Tripura (having 205-bed multi-specialty hospital & nursing school). The company also operates a 1.25 MW wind power project in Dhule, Maharashtra.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	116.76	133.20
PBILDT	19.71	20.26
PAT	1.64	3.53
Overall gearing (times)	0.80	0.82
Interest coverage (times)	1.83	1.88

A: Audited

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not applicable

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

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own

risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

nexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	6.40	CARE BBB-; Stable
Debentures-Non Convertible Debentures	-	-	March 2019	10.00	CARE BBB-; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Bank Overdraft	LT	6.40	CARE BBB-; Stable	-	1)CARE BBB- (17-Oct-16)	1)CARE BB+ (14-Jan-16)	1)CARE BB+ (13-Mar-15)
2.	Debentures-Non Convertible Debentures	LT	10.00	CARE BBB-; Stable	-	1)CARE BBB- (17-Oct-16)	1)CARE BB+ (14-Jan-16)	-
3.	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (17-Oct-16)	1)CARE BB+ (14-Jan-16)	1)CARE BB+ (13-Mar-15)
4.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)Withdrawn (17-Oct-16)	1)CARE A4+ (14-Jan-16)	1)CARE A4+ (13-Mar-15)

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