GPT Healthcare Private Limited

October 07, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	107.67 (Enhanced from 50.00)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total Facilities	107.67 (Rs. One Hundred Seven Crore and Sixty-Seven Lakhs Only)		

Details of facilities in Annexure-

Detailed Rationale & Key Rating Drivers

The rating assigned to the Bank Facilities of GPT Healthcare Pvt Ltd (GPTHPL) takes into account moderation witnessed in the profitability margin, return ratios and leverage position during FY20 (refers to the period April 01 to March 31) on account of commissioning of new hospital in Howrah, WB with further moderation in financial performance in Q1FY21. The rating is, however, reaffirmed in view of the long experience of the promoters, multi-specialty hospitals with established position in Kolkata, and improving occupancy level in the hospitals operated by the company, timely commissioning of the new hospital and growing revenue over the last three years.

The rating continues to be constrained by increase in group exposure, capital intensive nature of business, high vulnerability to treatment related and operating risks and fragmented industry.

Key rating sensitivities

Positive rating sensitivities

- Ability to increase the scale of operation and operating margin (PBILDT) beyond 18% on sustained basis
- Improvement in overall gearing ratio below 0.5x on a sustained basis

Negative rating sensitivities

- Deterioration in overall occupancy levels below 50% on sustained basis
- Deterioration in TDGCA beyond 7.0x

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters

Dr. Om Tantia, Managing Director of GPTHPL, is a qualified and renowned surgeon in the field of bariatric & laparoscopic surgery 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 the support of experienced professionals. GPTHPL belongs to GPT group of Kolkata which has business interest in construction, healthcare and steel castings. Major companies belonging to the promoters are GPT Infraprojects Ltd. (GPTIL: rated CARE BB+; Stable), and GPT Castings Ltd.

Multi-specialty hospitals with established position

GPTHPL provides healthcare services in various fields (Emergency and Critical Care, Gynae Endoscopic Surgery, Nephrology, Neuro and Spine Surgery, Neurology, Obstetrics and Gynaecology, Pediatrics etc.). It has established position with three hospitals in Kolkata and one in Agartala.

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

Improvement in occupancy rate in FY20

GPTHPL's overall occupancy rate improved in FY20, with ILS-Dumdum's OR improving from 72% in FY19 to 89% in FY20 and that of Agartala unit almost doubling to 58% in FY20. The company has newly opened a multi-speciality hospital in Howrah which is operational from September, 2019. It is a 95-bed hospital and the OR was low in FY20 (first year of operation). The OR at ILS-Saltlake remained moderate at 69%. The overall ARPOB also improved from Rs.18,770 to Rs.20,000 in FY20. GPTHPL continues the focus to provide service to the corporate customers through Third Party Administrators (TPA), which is expected to improve the OR of the hospitals further.

Moderate capital structure

The capital structure of the company remained moderate with debt to equity ratio and overall gearing at 0.86x and 0.92x as on March 31, 2020 vis-à-vis 0.67x and 0.76x as on March 31, 2019 due to increase in term loan for the new hospital. Hence, Total debt/GCA also deteriorated to 4.83x as on March 31, 2020 as compared to 3.44x as on March 31, 2019. GPTHPL completed the construction of new hospital in Howrah which became operational in September 2019. Given the fact that the GPTHPLP has raised debt for establishing the same, it is expected that the capital structure will remain moderate in the near term, in absence of any immediate debt funded capex.

Key Rating Weaknesses

Moderation witnessed in the profitability margin and return ratios in FY20 with further deterioration in financial performance in Q1FY21

GPTHPL's total operating income grew by 23.90% y-o-y to Rs.215.48 crore in FY20 mainly driven by improvement in OR, higher ARPOB and revenue from newly commissioned hospital at Howrah. PBILDT margin deteriorated from 22.25% in FY19 to 18.40% in FY20 as a result of commencement of new hospital in Howrah. PAT margin also deteriorated from 8.63% in FY19 to 5.09% in FY20 along with deterioration in interest coverage ratio from 3.81x in FY19 to 2.81x in FY20 on the back of increase in interest cost. However, the Company continued to earn satisfactory GCA of Rs.24.24 crore as against a debt repayment obligation of Rs.8.39 crore in FY20. In Q1FY21 (prov.), the company has earned operating profit of Rs.9.29 crore over total operating income of Rs.41.74 crore as compare to operating income of Rs.50.00 crore and operating profit of Rs.11.98 crore in Q1FY20. The overall performance for FY21 is expected to remain moderate and improve thereafter, due to 3 out of 4 hospitals being declared as COVID centres, which is a low revenue segment.

Increase in group exposure

GPTHPL's exposures to group entities in the form of loan to mainly its holding company (GPT Sons Pvt Ltd) has increased to Rs.30.8 crore as on March 31, 2020 (i.e. 24% of tangible networth as on that date) from Rs.20.5 crore as on March 31, 2019 (i.e. 17% of tangible networth as on that date). Such exposure in group entity led to relatively lower ROCE in FY20.

Capital intensive nature of business

Hospital industry is a capital intensive industry with relatively long gestation period. Generally, new hospital takes around 2-3 years' time frame to breakeven at operational level due to low occupancy rate in the initial period of operation. Thus, the promoter is required to support the operation until the mentioned parameters reach the minimum desired level. Further, the maintenance capex required for the hospital industry also remains high owing to regular replacement of equipment's, non-reusable pharmaceutical and surgical products and to update the latest technology.

Fragmented industry

The healthcare 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, distinction 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 risks and operation risks

Healthcare is a highly sensitive sector where any mistake on a critical 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 meticulously to avoid the occurrence of any unforeseen incident which can damage the reputation of a hospital to a large extent.

***Liquidity: Adequate* -** The liquidity of the company is adequate characterized by sufficient accruals of Rs.24.24 crore vis-à-vis debt repayment obligations and moderate cash balance of Rs.0.34 crore in FY20. The average utilization of the OD limit is 60% during last 12 month ended August, 2020. The amount of debtors stood at Rs.17.30 crore and unbilled revenue of Rs.1.57 crore in FY20. The operating cycle remain steady in FY20. However, the company had availed moratorium for the payment of interest on term loan for 6 months from March, 2020 to August, 2020 as confirmed by the financier and the banker.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning outlook and credit watch to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology for Hospital Industry
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-financial sector entities

About the Company

GPTHPL was incorporated in 1989 as Jibansatya Printing House Pvt Ltd by Kolkata-based GPT Group. GPTHPL's hospitals are run under the ILS brand which is engaged in healthcare business since 2005 and operates three multi-specialty hospitals in Kolkata, West Bengal (having 86-bed hospital in Salt Lake, 95-bed hospital in Howrah and 114-bed multi-specialty hospital in Dumdum) and one in Agartala, Tripura (having 125-bed multi-specialty hospital & nursing school). The company has completed constructing a new multi-speciality hospital in Howrah with 95 operational beds.

The company is managed by a six-board member headed by Mr. D. P. Tantia, Chairman and Dr. Om Tantia, MD, brother of Mr. D. P. Tantia.

Brief Financials (Rs. crore)	FY19 (A)	FY20(A)
Total operating income	174.09	215.48
PBILDT	38.74	39.65
PAT	15.03	10.95
Overall gearing (times)	0.76	0.92
Interest coverage (times)	3.81	2.81

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Annexure-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	-	-	-	5.00	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	Jul-2033	102.67	CARE BBB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BBB; Stable	-	1)CARE BBB; Stable (09-Oct-19)	1)CARE BBB-; Stable (08-Oct-18)	1)CARE BBB-; Stable (08-Sep-17)
2.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (09-Oct-19)	1)CARE BBB-; Stable (08-Oct-18)	1)CARE BBB-; Stable (08-Sep-17)
3.	Fund-based - LT-Term Loan	LT	102.67	CARE BBB; Stable	-	1)CARE BBB; Stable (09-Oct-19)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

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

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

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.*

Contact Us

Media Contact
Name: Mradul Mishra
Tel # +91-22-6837 4424
Email: mradul.mishra@careratings.com

Analyst Contact:
Name: Richa Bagaria
Tel # 033-4018 1653
Email: richa.jain@careratings.com

Business Development Contact
Name: Lalit Sikaria
Tel # +91-33-4018 1607
Email: lalit.sikaria@careratings.com

About CARE Ratings:

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.

Disclaimer

CARE's ratings 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. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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 is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE'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.careratings.com**