GPT Healthcare Private Limited

October 08, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	5.00 (reduced from 6.40)	**CARE BBB-;Stable (Triple B Minus, Outlook: Stable)**	**Reaffirmed**
Total facilities	**5.00 (Rupees Five crore only)**		
Non-Convertible Debenture	**10.00 (Rupees Ten crore only)**	**CARE BBB-;Stable (Triple B Minus, Outlook: Stable)**	**Reaffirmed**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to GPT Healthcare Private Limited (GPTHPL) continue to derive strength from the long experience of the promoters, moderate capital structure and improving occupancy level in the hospitals operated by the company. The ratings also factor in the improvement in financial performance in FY18 (refers to the period April 1 to March 31) and Q1FY19, marked by improvement in operating income and PBILDT margin. However, the ratings continue to be constrained by the fragmented nature of industry, capital intensive nature of business, high vulnerability to treatment-related and operating risks and risk associated with the ongoing project of setting up a new hospital in Howrah.

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 46.78% in FY17 to 49.31% in FY18 and further to 51.54% in Q1FY19 on the back of improvement in occupancy rate in all the three units of the company. The company shifted the focus to provide services to the corporate customers through Third party Administrators (TPA), which led to the improvement in the occupancy rate of all the hospitals.

Improvement in financial performance in FY18: GPTHPL's total operating income grew by 10% y-o-y to Rs.145.59 crore in FY18 mainly driven by improvement in occupancy rate and higher average revenue per bed (Rs.14,514 in FY17 to Rs.15,167 in FY18) due to revision in tariff from June 1, 2017 in all the hospitals. PBILDT margin improved from 15.01% in FY17 to 17.35% in FY18 as a result of better absorption of overheads, higher acceptability of hospital in Agartala and higher revenue/bed. Interest coverage ratio improved from 1.84x in FY17 to 2.51x in FY18.

In Q1FY19, GPTHPL achieved PAT of Rs.2.99 crore on operating income of Rs.41.47 crore.

Moderate capital structure: The capital structure remained moderate and overall gearing improved from 0.90x as on Mar.31, 2017 to 0.77x as on Mar.31, 2018 with scheduled repayment of debt and accretion of profit to reserves. Total debt/GCA also improved from 6.65x as on Mar.31, 2017 to 4.01x as on Mar.31, 2018. Going forward, even after availment of debt for the ongoing hospital project, the capital structure is expected to remain moderate.

Key Rating Weaknesses

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

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,

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

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.

Risk associated with on-going project: The company is in the process of setting up a new hospital in Howrah, West Bengal (127 bed) with a total project cost of Rs.80 crore (revised from earlier estimate of Rs.70 crore due to time and cost overrun), which would be financed by equity/internal accrual of Rs.30 crore and the balance by term loan of Rs.50 crore. The financial closure of the debt portion is yet to be achieved. The company has purchased the land and the civil construction has also started. Till June 30, 2018, the company had incurred around Rs.28.50 crore on the project. The project is expected to be completed by August 2019.

Analytical approach followed: Standalone.

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

About the Company
GPTHPL was incorporated in 1989 as Jibansatya Printing House Pvt Ltd by Kolkata-based GPT Group. The company is engaged in 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.
The company is in the process of constructing a 127 bed hospital in Howrah.

Financials of GPT Healthcare Private Limited (Standalone)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	132.84	145.59
PBILDT	19.94	25.25
PAT	2.32	7.58
Overall gearing (times)	0.90	0.77
Interest coverage (times)	1.84	2.51

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.*

Analyst Contact:
Name: Mamta Muklania
Tel: 033-40181651
Mobile: 98304 07120
Email: mamta.khemka@careratings.com

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

Annexure-1: Details of Instruments/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
Debentures-Non Convertible Debentures	January 15, 2016	11%	February 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Term Loan-Long Term	-	-	-	-	-	-	-
2.	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (08-Sep-17)	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)
4.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	1)Withdrawn (17-Oct-16)	1)CARE A4+ (14-Jan-16)
5.	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (17-Oct-16)	1)CARE BB+ (14-Jan-16)
6.	Debentures-Non Convertible Debentures	LT	10.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (08-Sep-17)	1)CARE BBB- (17-Oct-16)	1)CARE BB+ (14-Jan-16)

CONTACT
Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Ltd.)
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000 / 01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691