CARE Ratings
Professional Risk Opinion

GPT Healthcare Private Limited

October 09, 2019

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	50.00 (enhanced from 5.00)	**CARE BBB; Stable (Triple B ; Outlook: Stable)**	**Revised from CARE BBB- ; Stable (Triple B Minus ; Outlook: Stable)**
Total Facilities	50.00 (Rupees Fifty crore only)		
Non - Convertible Debentures	-	**-**	**Withdrawn**

Details of Instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the Bank Facilities of GPT Healthcare Pvt Ltd (GPTHPL) is on account of timely commissioning of operations at new hospital in Howrah, WB within estimated cost, and improvement in financial performance in FY19 (refers to the period April 01 to March 31) and Q1FY20. The rating also factors in moderation in capital structure with the availed term loan for Howrah unit.

The rating, however, continues to derive strength from 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. The rating continue to be constrained by capital intensive nature of business, high vulnerability to treatment related and operating risks and fragmented industry.

The ability of the company to improve occupancy level (particularly of Agartala unit) and stabilization of Howrah unit shall be the key rating sensitivities.

CARE has also withdrawn the rating assigned to the NCD issue of GPTHPL with immediate effect, as the company has repaid the aforementioned NCD issue and there is no amount outstanding under the issue/facility/loan as on date

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 BBB; 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.

Improvement in occupancy rate in FY19

GPTHPL's overall occupancy rate improved from 49.3% in FY18 to 51.8% in FY19 due to improvement in occupancy rate in Agartala and Dum Dum with stable occupancy in Salt Lake unit. GPTHPL continues the focus to provide service to the corporate customers through TPAs, which is expected to improve the occupancy rate of all the hospitals further. GPTHPL has tie-ups with all major insurance companies and TPAs. However, the payments through TPAs remained low in the range of 19%-24% during FY17-FY19 with improvement in FY19 to 24% from 20% in FY18.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

Improvement in financial performance in FY19 and Q1FY20
GPTHPL's total operating income grew by 16.67% y-o-y to Rs.174.52 crore in FY19 mainly driven by improvement in occupancy rate (from 49.31% in FY18 to 51.79% in FY19), higher average revenue per occupied bed (RPOB). RPOB increased from Rs.15,167 in FY18 to Rs.18,772 in FY19.
PBILDT margin improved from 17.35% in FY18 to 22.44% in FY19 as a result of better absorption of overheads and higher RPOB. Interest coverage ratio improved from 2.51x in FY18 to 3.85x on the back of increase in PBILDT level and steady interest cost. GPTHPL earned a GCA of Rs.25.4 crore as against a debt repayment obligation of Rs.8.38 crore in FY19.
In Q1FY20 (provisional results), GPTHPL earned PBT of Rs.5.68 crore on total operating income of Rs.50 crore (Rs.41 crore in Q1FY19).

Moderate capital structure
The debt to equity ratio and overall gearing remained steady at 0.67x and 0.76x as on March 31, 2019, with scheduled repayment of debt and accretion of profit to reserves. Total debt/GCA also improved from 4.01x as on Mar.31, 2018 to 3.44x as on March 31, 2019 on account of higher GCA earned by the company in FY19. Further, the capital structure is expected to moderate but remain below unity as on March 31, 2020 with the availed term loan of Rs.45 crore for the new hospital commissioned in Howrah in September 2019.
Timely commissioning of new hospital
GPTHPL has completed the construction of the hospital in Howrah and has begun operations in September 2019 at a cost of Rs.84 crore. The same was funded out of term loan of Rs.45 crore and balance through fund infusion through CCPS and internal accruals. CARE derives comfort from the locational advantage of the unit which shall enable it achieve optimum occupancy in shorter timeframe. The stabilisation of operation of the new unit as envisaged shall remain crucial.

Key Rating Weaknesses
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 - Adequate liquidity characterized by sufficient cushion in accruals vis-a-vis repayment obligations and moderate cash balance of Rs.1.28 crore and OD utilization at ~73.32% during the last 12 months ended August 2019. The liquidity of the company is expected to be impacted to an extent in the ensuing quarters on the back of fund requirement towards stabilization of the new hospital in Howrah.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning outlook and credit watch to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology for Service Sector Companies
Rating Methodology for Hospital Industry
Financial ratios – Non-Financial Sector
Policy on Withdrawal of ratings

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 two multi-specialty hospitals in Kolkata, West Bengal (having 83-bed hospital in Salt Lake and 118-bed multi-specialty hospital in Dumdum) one in Agartala, Tripura (having 205-bed multi-specialty hospital & nursing school). GPTHPL has added another 40 beds in its hospital located in Dum Dum in Q1FY20. The company has also commissioned a new multi-speciality hospital in Howrah with 120 beds and 15 service beds.

The business of the company is managed by a six-board members headed by Mr. D. P. Tantia, Chairman and Dr. Om Tantia (aged - 57 years), MD, brother of Mr. D. P. Tantia.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	145.59	174.52
PBILDT	25.25	39.17
PAT	7.58	15.03
Overall gearing (times)	0.77	0.76
Interest coverage (times)	2.51	3.86

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

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
Fund-based - LT-Term Loan	-	-	FY29	45.00	CARE BBB; Stable
Debentures-Non Convertible Debentures	January 15, 2016	11%	02/14/2019	0.00	Withdrawn

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (08-Oct-18)	1)CARE BBB-; Stable (08-Sep-17)	1)CARE BBB- (17-Oct-16)
2.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (17-Oct-16)
3.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	-	1)Withdrawn (17-Oct-16)
4.	Debentures-Non-Convertible Debentures	LT	-	Withdrwan	-	1)CARE BBB-; Stable (08-Oct-18)	1)CARE BBB-; Stable (08-Sep-17)	1)CARE BBB- (17-Oct-16)
5.	Fund-based - LT-Term Loan	LT	45.00	CARE BBB; Stable	-	-	-	-

***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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