



**Press Release**  
**Premium Medical And Healthcare Providers Private Limited**  
**September 04, 2023**

**Rating Downgraded and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	343.00	ACUITE BB   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	2.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	345.00	-	-

**Rating Rationale**

Acuité has downgraded its long-term rating to '**ACUITE BB**' (read as **ACUTE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and reaffirmed its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 345.00 crore bank facilities of Premium Medical and Healthcare Providers Private Limited (PMPL). The outlook is revised to '**Stable**' from 'Negative'.

**Rationale for downgrade and revision in outlook**

The rating downgrade is on account of lower-than-expected performance of PMPL marked by continued inadequate generation of net cash accruals to meet the repayment obligations and continued weak financial risk profile of the company. The outlook revision is on account of improvement in the operating performance marked by improving revenue and generation of positive operating margins during the review period. The total operating income of PMPL stood at Rs.222.80 Cr in FY2023 as against Rs.196.93 Cr in FY2022. The improvement is primarily driven by increased average revenue per occupied bed (ARPOB) per day. The ARPOB rose to Rs.47129 per day as against Rs. 40295 per day. The average occupancy at the hospital has declined in FY2023 to 62% from 70% in FY2022. The company's operating profitability margin rose to 2.83 percent in FY2023 as against 1.51 percent in FY2022.

**About the Company**

Premium Medical & Healthcare Providers Private Limited (PMPL), based out of Coimbatore, Tamil Nadu was incorporated in September, 2013 and commenced commercial operations in September, 2017. The Company runs a multi-specialty hospital under the name "Meitra" located in Calicut, Kerala. The total built up area of the hospital at present is nearly 400,000 sq. ft. with capacity of 270 beds of which it is operating with 220 beds for in-patients. The company is promoted by KEF Healthcare Services Pte Limited, which in-turn is promoted by Dr. Ali Faizal and the promoters of Peekay Group i.e. Mr. K.E Shanavaz, Mr. K.E Moidu and Mr. P.K. Ahammed.

**Analytical Approach**

Acuité has taken a standalone view of the business and financial risk profile of PMPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

- **Extensive experience of promoters:**

PMPL is promoted by KEF Healthcare Services Pte Limited, and Peekay Group. KEF Healthcare

Pte Limited, is into managing a chain of hospitals and provide consultancy and management services and is a wholly owned subsidiary of KEF Holdings engaged into infrastructure, healthcare and investments across India and UAE. KEF Holdings incorporated in Singapore & headquartered in Dubai specializes in offsite manufacturing technology in industries, including healthcare, education, sports and agriculture led by Mr. Faizal E. Kottikollon, an industrialist who has a diversified experience of more than a decade across various industries. Mr. Faizal Kottikollon founded Emirates Techno Casting in Sharjah back in 1997. In 2012, Emirates Techno Casting was sold to Tyco International for over \$400m. This capital was then used to create KEF Holdings. Dr. Ali Faisal is an experienced cardiologist in North Kerala with special interest in non-coronary and peripheral vascular intervention for more than 20 years. The promoters of Peekay group through its group companies are present across various sectors such as steel, flour mills, real estate, construction, plantations, education, healthcare, charitable institution etc.

- **Improving operating performance:**

The total operating income of PMPL stood at Rs.222.80 Cr in FY2023 as against Rs.196.93 Cr in FY2022. The improvement is primarily driven by increased average revenue per occupied bed (ARPOB) per day. The ARPOB rose to Rs.47129 per day as against Rs. 40295 per day. However, the average occupancy at the hospital has declined in FY2023 to 62% from 70% in FY2022. This is primarily due to decline in operations of cardiology department. PMPL has generated revenue of Rs. 53.78 Cr in Q1FY2024 and is estimated to generate revenue in the range of Rs. 240-250 Cr by year end. The company's operating profitability margin rose to 2.83 percent in FY2023 as against 1.51 percent in FY2022.

- **Financial support from parent company and promoters**

The company has entered into ECB agreement with KEF Healthcare Services Pte Limited in FY2019 and FY2022 of USD 10 million each (approx. 164 Cr). PMPL till March 31, 2023 has drawn Rs. 104.93 Cr and shall draw down more as and when required. The ECB funds are utilized for the purposes of meeting the working capital requirements, debt obligations and general corporate purposes. The promoter – directors have also infused unsecured loans in PMPL of Rs. 18.60 Cr as on March 31, 2023 and equity vide right issue of Rs.13.50 Cr in FY2023 and Rs.6.16 Cr in FY2022. Acuité believes the consistent support from promoters adds a certain degree of comfort to PMPL's financial risk profile and liquidity for meeting its debt repayment obligations.

### **Weaknesses**

- **Continuing weak financial risk profile:**

Financial risk profile of the company continues to remain weak marked by high gearing (debt to equity ratio) and weak debt protection metrics. During the year FY2023, significant improvement is noted in tangible networth as it stood at Rs.58.76 Cr as on March 31, 2023 from Rs. (6.86) Cr as on March 31, 2022. The improvement is primarily driven by infusion of additional equity by promoters of Rs.13.50 Cr and increase in quasi equity (ECB and USL) of Rs. 48.81 Cr during the year. The company reported profit after tax (PAT) of Rs. 3.53 Cr in FY2023 (against loss of Rs.(55.90) Cr in FY2022) which was also accredited to reserves. The profit before tax (PBT) stood at Rs. (47.83) Cr in FY2023 due to recognition of deferred tax asset of Rs. 51.36 Cr primarily on unabsorbed depreciation, the company reported positive PAT.

The total debt stood at Rs. 325.68 Cr as on March 31, 2023 which includes long term borrowing of Rs.310 Cr and Rs.15.69 Cr of short term borrowing. The overall gearing of the company stood 5.54 times as on March 31, 2023 as against (48.76) times as on March 31, 2022. The overall gearing though improved continues to remain high.

The coverage indicators marked by interest coverage and Debt to EBITDA though improved in FY2023, continued to remain weak at 0.18 times and 48.47 times in FY2023 respectively as against 0.08 times and 101.53 times respectively in FY2022. The DSCR stood at 0.18 times in FY2023 as against (0.03) times in FY2022.

- **Stringent regulatory framework in the healthcare sector:**

Despite the increasing trend of privatization of healthcare sector in India, the company

continues to operate under stringent regulatory environment. Accordingly, regulatory challenges continue to pose a significant risk to private healthcare institutions, as they are highly susceptible to changes in regulatory framework. 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, the healthcare providers need to monitor each case diligently and maintain standard in services in order to avoid the occurrence of any unforeseen incident. They also need to maintain high vigilance to avoid any malpractice in any pocket.

### **Rating Sensitivities**

- > Substantial improvement in operating performance that enables the company to generate adequate cash flows in line with its repayments obligations.
- > Improvement in debt coverage indicators driven by improvement in generation of cash profits

### **All Covenants**

Total outside liabilities/Adjusted total networth < 5 from FY2024  
Debt/Equity = 68:32  
DSCR ≥ 1 for Sep 23  
EBITDA ≥ 17% Q1FY24 onwards  
Turnover ≥ Rs.330 Cr in FY24

### **Liquidity Position Stretched**

PMPL's liquidity continues to remain stretched marked by inadequate cash accruals against repayment obligations albeit financial support from parent company and promoters. Going forward the repayment obligations are expected to be ~14.94 Cr in FY2024 and ~Rs. 15.59 Cr in FY2025. The repayments are expected to maintain an increasing trend given the ballooning repayment structure and repayments of the emergency credit loans against which the cash accruals shall continue to remain negative for the near to medium term. However, PMPL due to ECB agreement with the parent company enjoys some financial flexibility. The average fund based utilisation stood at ~92.5% for the twelve months ended July 2023. Acuite believes improvement in profitability margins that generate adequate net cash accruals considering the increasing repayment obligations will be a key rating sensitivity.

### **Outlook: Stable**

Acuite believes that PMPL will maintain a 'Stable' outlook over the medium term from its promoter's extensive industry experience, improving operating performance and funding comfort from parent company. The outlook may be revised to 'Positive' in case of significant growth in its revenues along with improvement in the bed occupancy and while improving its cash profitability. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected occupancy or lower than expected cash profitability.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	222.80	196.93
PAT	Rs. Cr.	3.53	(55.90)
PAT Margin	(%)	1.59	(28.38)
Total Debt/Tangible Net Worth	Times	5.54	(48.76)
PBDIT/Interest	Times	0.18	0.08

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jun 2022	Term Loan	Long Term	49.50	ACUITE BB+   Negative (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	3.50	ACUITE BB+   Negative (Reaffirmed)
	Term Loan	Long Term	100.00	ACUITE BB+   Negative (Reaffirmed)
	Secured Overdraft	Long Term	5.00	ACUITE BB+   Negative (Reaffirmed)
	Term Loan	Long Term	157.00	ACUITE BB+   Negative (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BB+   Negative (Reaffirmed)
	Secured Overdraft	Long Term	13.00	ACUITE BB+   Negative (Reaffirmed)
02 Sep 2021	Bank Guarantee	Short Term	20.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BB+   Negative (Reaffirmed)
	Term Loan	Long Term	310.00	ACUITE BB+   Negative (Reaffirmed)
04 Aug 2021	Letter of Credit	Short Term	5.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Secured Overdraft	Long Term	10.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	310.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Bank Guarantee	Short Term	20.00	ACUITE A4+ (Downgraded from ACUITE A3)
08 Jan 2020	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	310.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BB   Stable   Downgraded   Negative to Stable
Yes Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BB   Stable   Downgraded   Negative to Stable
Federal Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB   Stable   Downgraded   Negative to Stable
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.00	ACUITE BB   Stable   Downgraded   Negative to Stable
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	49.50	ACUITE BB   Stable   Downgraded   Negative to Stable
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	157.00	ACUITE BB   Stable   Downgraded   Negative to Stable
Federal Bank	Not Applicable	Term Loan	Not available	8.60	Not available	Simple	100.00	ACUITE BB   Stable   Downgraded   Negative to Stable



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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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