Press Release
Premium Medical And Healthcare Providers Private Limited
November 28, 2024
Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	329.00	ACUITE BB- | Stable | Upgraded	-
Bank Loan Ratings	16.00	-	ACUITE A4 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	345.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded its long-term rating to **'ACUITE BB-' (read as ACUITE double B minus**f**)**rom **'ACUITE B+' (read as ACUITE B plus)**and reaffirmed its short-term rating at **'ACUITE A4' (read as ACUITE A four)** on the Rs. 345.00 crore bank facilities of Premium Medical and Health Care Providers Private Limited (PMPL). The outlook is **'Stable'.'**

Rationale for Rating Upgrade

PMPL had appealed against the last rating action dated 12th November, 2024 and provided incremental information pertaining to their liquidity position and further clarity on operational performance of the hospital.

The rating revision factors in improved operating performance of the hospital and its sustenance over the near to medium term driven by various measures taken by the company to improve its revenue and cost efficiency. The company reported an improvement in average revenue per occupied bed (ARPOB) per day and overall occupancy level in H1FY2025. The ARPOB improved to Rs. 54179 in 5MFY2025 from Rs. 53837 in FY2024 and Rs. 46785 in FY2023. The occupancy level stood at 61%, 50% and 63% respectively for the corresponding period. In September, 2024 ARPOB and occupancy level stood at Rs.52757 and 68% respectively. These improvements in H1FY2025 is driven by multiple steps taken by the company namely increase in rack rates on billable items, hiring of doctors in-house vis-à-vis on consultation basis earlier, optimisation of costs by entering in long term contract on fixed percentage basis, rationalisation of employee costs, increased focus on higher margin generating international medical tourism etc. These measures are expected to significantly improve the company's operating performance in near to medium term. The operating margins which ranged between 5.41-6.10 percent in the last two years, improved to 17.14 percent in H1FY2025 and are expected to be sustained over the near to medium term.

Further, the company is under process to convert its external commercial borrowings (ECB) amounting to Rs. 137.19 Cr. into equity in FY2025. With conversion of this loan, the total finance cost of the company is estimated to reduce significantly leading to improvement in net profitability levels in the near to medium term. Further, with the expected improvement in profitability and reduction in finance costs, the debt protection metrics is also expected to improve. Debt to EBITDA ratio which stood at 24.58 times for FY2024 is estimated to come in the range of 5-7 times over the near to medium term. The interest coverage which was less than 1 till FY2024 is expected to range between 1.5-2.5 times over the near to medium term.

About the Company

Premium Medical and Health Care 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 Mr. K.E. Faizal and the promoters of Peekay Group i.e. Mr. K.E Shanavaz, Mr. K.E Moidu and Mr. P.K. Ahammed.

Unsupported Rating

Not Applicable

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 $400 m. 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.

Improvement in operating performance in H1FY2025

The company reported an improvement in average revenue per occupied bed (ARPOB) per day and overall occupancy level in 5MFY2025. The ARPOB improved to Rs. 54179 in 5MFY2025 from Rs. 53837 in FY2024 and Rs. 46785 in FY2023. The occupancy level stood at 61%, 50% and 63% respectively for the corresponding period. Driven by these parameters, the company reported revenue of Rs.200.37 Cr. in FY2024 against Rs. 222.80 Cr. in FY2023. The operating margin stood at 6.10 percent in FY2024 as against 5.41 percent in FY2023. In H1FY2025, operating income stood at Rs. 123.89 Cr. i.e. 61.83 % of its FY24 revenue and operating margin of 17.14 percent. The significant improvement in operating performance in H1FY2025 is driven by multiple steps taken by the company namely increase rack rates on billable items, hiring of doctors in-house vis-à-vis on consultation basis earlier, optimisation of costs by entering in long term contract on fixed percentage basis etc. Acuite believes this improvement in operating performance will sustain over the near to medium term.

Weaknesses

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.

Weak financial risk profile albeit estimated improvement in debt protection metrics over the near to medium term:

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 FY2024, the tangible net worth declined and stood at Rs.53.33 Cr. as on March 31, 2024 from Rs. 58.76 Cr. as on March 31, 2023. The company reported profit after tax (PAT) of Rs. (41.97) Cr. in FY2024 against profit of Rs.3.53 Cr. in FY2023. The tangible net worth includes quasi equity of Rs. 139.48 Cr. out which Rs. 137.19 Cr. is outstanding towards ECBs. The company has entered into ECB agreement with KEF Healthcare Services Pte Limited (parent entity) in FY2019 and FY2022 of USD 10 million each (approx. 164 Cr). PMPL till March 31, 2024 has drawn Rs. 120.89 Cr. These ECBs are proposed to converted to equity in the near term.

The total debt stood at Rs. 315.38 Cr. as on March 31, 2024 which includes long term borrowing of Rs.297.76 Cr. and Rs.17.62 Cr. of short term borrowing. The overall gearing of the company stood 5.91 times as on March 31, 2024 as against 5.54 times as on March 31, 2023. The overall gearing though improved continues to remain high. The coverage indicators marked by interest coverage and Debt to EBITDA though improved in FY2024, continued to remain weak at 0.32 times and 24.58 times in FY2024 respectively as against 0.28 times and 26.12 times respectively in FY2023. The DSCR stood at 0.32 times in FY2024 as against 1.45 times in FY2023.
With conversion of ECB to equity and expected improvement in profitability and reduction in finance costs, the debt protection metrics is also expected to improve. Debt to EBITDA ratio is estimated to come in the range of 5-7 times over the near to medium term and the interest coverage ratio is expected to improve and range between 1.5-2.5 times over the near to medium term.

Rating Sensitivities

- Substantial improvement in operating performance that enables the company to generate adequate cash flows in line with its repayment obligations.
- Improvement in financial risk profile driven by improvement in generation of cash profits

Liquidity Position
Stretched

The company has a stretched liquidity position marked by negative net cash accruals against maturing debt obligations. The company generated cash accruals of Rs.(22.69) crore in FY24 against maturing debt obligations of Rs.14.94 crore over the same period. The company maintains unencumbered cash and bank balances of Rs.1.08 crore as on March 31, 2024. The current ratio stood at 0.29 times as on March 31, 2024.
The average utilization of the bank limits of the company remains high and stood in the range of 87-99.20 percent in last 8 months ended August 24.

Outlook: Stable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	200.37	222.80
PAT	Rs. Cr.	(41.97)	3.53
PAT Margin	(%)	(20.94)	1.59
Total Debt/Tangible Net Worth	Times	5.91	5.54
PBDIT/Interest	Times	0.32	0.28

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

Not Applicable

Any other information

The operating margin of the company quoted above is adjusted for foreign exchange gain or loss on its ECBs during this review.

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, Acuité 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Nov 2024	Bank Guarantee (BLR)	Short Term	16.00	ACUITE A4 (Reaffirmed)
	Secured Overdraft	Long Term	11.00	ACUITE B+ | Stable (Upgraded from ACUITE C)
	Term Loan	Long Term	18.00	ACUITE B+ | Stable (Upgraded from ACUITE C)
	Term Loan	Long Term	157.00	ACUITE B+ | Stable (Upgraded from ACUITE C)
	Term Loan	Long Term	97.00	ACUITE B+ | Stable (Upgraded from ACUITE D)
	Secured Overdraft	Long Term	5.00	ACUITE B+ | Stable (Upgraded from ACUITE D)
	Term Loan	Long Term	15.00	ACUITE B+ | Stable (Upgraded from ACUITE C)
	Proposed Long Term Bank Facility	Long Term	26.00	ACUITE B+ | Stable (Upgraded from ACUITE C)
11 Nov 2024	Bank Guarantee (BLR)	Short Term	16.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Term Loan	Long Term	15.00	ACUITE C (Downgraded from ACUITE BB | Stable)
	Term Loan	Long Term	157.00	ACUITE C (Downgraded from ACUITE BB | Stable)
	Term Loan	Long Term	18.00	ACUITE C (Downgraded from ACUITE BB | Stable)
	Secured Overdraft	Long Term	11.00	ACUITE C (Downgraded from ACUITE BB | Stable)
	Proposed Long Term Bank Facility	Long Term	26.00	ACUITE C (Downgraded from ACUITE BB | Stable)
	Secured Overdraft	Long Term	5.00	ACUITE D (Downgraded from ACUITE BB | Stable)
	Term Loan	Long Term	97.00	ACUITE D (Downgraded from ACUITE BB | Stable)
04 Sep 2023	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	13.00	ACUITE BB | Stable (Downgraded from ACUITE BB+ | Negative)
	Term Loan	Long Term	49.50	ACUITE BB | Stable (Downgraded from ACUITE BB+ | Negative)
	Term Loan	Long Term	157.00	ACUITE BB | Stable (Downgraded from ACUITE BB+ | Negative)
	Term Loan	Long Term	100.00	ACUITE BB | Stable (Downgraded from ACUITE BB+ | Negative)
	Secured Overdraft	Long Term	5.00	ACUITE BB | Stable (Downgraded from ACUITE BB+ | Negative)
	Term Loan	Long Term	15.00	ACUITE BB | Stable (Downgraded from ACUITE BB+ | Negative)
	Proposed Long Term Bank Facility	Long Term	3.50	ACUITE BB | Stable (Downgraded from ACUITE BB+ | Negative)
07 Jun 2022	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	13.00	ACUITE BB+ | Negative (Reaffirmed)
	Term Loan	Long Term	49.50	ACUITE BB+ | Negative (Reaffirmed)
	Term Loan	Long Term	157.00	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	15.00	ACUITE BB+ | Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.50	ACUITE BB+ | Negative (Reaffirmed)
02 Sep 2021	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	310.00	ACUITE BB+ | Negative (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BB+ | Negative (Reaffirmed)
04 Aug 2021	Letter of Credit	Short Term	5.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Term Loan	Long Term	310.00	ACUITE BB+ | Stable (Downgraded from ACUITE BBB- | Stable)
	Secured Overdraft	Long Term	10.00	ACUITE BB+ | Stable (Downgraded from ACUITE BBB- | Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.00	Simple	ACUITE A4 | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.00	Simple	ACUITE BB- | Stable | Upgraded (from ACUITE B+)
Yes Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.00	Simple	ACUITE BB- | Stable | Upgraded (from ACUITE B+)
Federal Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BB- | Stable | Upgraded (from ACUITE B+)
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	30 Sep 2020	Not avl. / Not appl.	30 Apr 2033	15.00	Simple	ACUITE BB- | Stable | Upgraded (from ACUITE B+)
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	22 Mar 2021	Not avl. / Not appl.	15 Jan 2026	18.00	Simple	ACUITE BB- | Stable | Upgraded (from ACUITE B+)
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	27 Apr 2018	Not avl. / Not appl.	30 Apr 2033	157.00	Simple	ACUITE BB- | Stable | Upgraded (from ACUITE B+)
Federal Bank	Not avl. / Not appl.	Term Loan	06 Sep 2021	Not avl. / Not appl.	30 Jun 2033	97.00	Simple	ACUITE BB- | Stable | Upgraded (from ACUITE B+)

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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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