



**Press Release**  
**Peerless Hospitex Hospital And Research Center Limited**  
**October 09, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE A-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-

**Rating Rationale**

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Acuite has upgraded the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) from '**Acuite BBB+**' (Read as **Acuite Triple B Plus**) to Rs. 20.00 Cr bank facilities of Peerless Hospitex Hospital and Research Center Limited (PHHRCL). The outlook is '**Stable**'.

**Rationale for Upgradation**

The rating is upgraded by an improvement in the overall business risk profile of the company marked by increase in the operating income and improvement in profitability arising from better Average Revenue Per Occupied Bed (ARPOB) and as well as better cost efficiencies. The revenue from operations of the company stood at Rs. 296.11 Cr. in FY2023 compared to Rs. 252.07 Cr. in FY2022 on account of higher patient intakes, an increase in ARPOB, and the resumption of elective surgeries to normal levels during FY2023. The rating also factors in its experienced management, and healthy financial risk profile characterized by robust capital structure and debt coverage indicators. The rating also factors the strong liquidity in the form of surplus cash accruals. The rating also gives comfort that the ongoing capital expenditure aligns with expectations, and the company has not availed external term loans. These strengths are, however, partially offset by highly regulated nature of healthcare industry alongwith geographic concentration of the company's hospital.

**About the Company**

Established in May 1989, PHHRCL provides operates a 500-bed multi-specialty hospital in Kolkata since 1993. It is a subsidiary of Peerless General Finance & Investment Company Limited (PGFICL) and holds accreditation from the National Accreditation Board of Hospitals. PHHRCL specializes in cardiology, neurology, gastroenterology, psychiatry, orthopaedics, paediatrics, urology, dental, nephrology, and more. The hospital collaborates with renowned professional doctors, maintains a fleet of ambulances, including intensive care unit (ICU) ambulances.

**Standalone (Unsupported) Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of PHHRCL to arrive at this rating.

**Key Rating Drivers**

## Strengths

- Long track record of operations and experienced management

PHHRCL, established in 1989 has a track record of over three decades of operations. As a wholly-owned subsidiary of PGFICL, it benefits from strong operational, financial, and managerial support. The promoters' extensive experience and the hospital's prolonged operational history have played a pivotal role in building a strong brand image and establishing corporate ties-ups as well as relationship with Third Party Administrators (TPAs). Acuité derives comfort from the promoters' vast experience, coupled with the presence of esteemed doctors and consultants on the panel, which augurs well for the hospital's growth prospects.

In FY2023, PHHRCL achieved revenues of Rs. 296.11 Cr, marking an increase from Rs. 252.07 Cr in FY2022. This rise in revenue is attributed to a higher patient count, an increase in ARPOB and the resumption of elective surgeries to normal levels during FY2023.

Furthermore, the operating margin improved to 15.91 per cent in FY2023, compared to 11.74 per cent in FY2022. The margin enhancement is linked to the revised rates negotiation with their corporate tie-ups and TPAs, which contribute to approximately 75% of their business.

The Profit After Tax margin have also increased to 11.31 per cent in FY 2023 against 6.72 per cent in FY2022. This improvement in margins have translated into healthy Return on Capital Employed levels which stood at a comfortable level of 28.04 per cent in FY2023 as against 20.85 per cent in FY2022.

- **Healthy financial risk profile**

The company's financial risk profile is marked by healthy network, low gearing and robust debt protection metrics. The tangible net worth of the company stood at Rs.133.54 crore as on March 31, 2023 as compared to Rs.101.03 crore as on March 31, 2022 due to accretion of reserves. Furthermore, its capital structure remains moderately leveraged marked by gearing of 0.51 times as on 31 March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.77 times as on March 31, 2023. The robust debt protection metrics of the company is marked by Interest Coverage Ratio at 33.18 times and Debt Service Coverage Ratio at 26.17 times as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.58 times as on March 31, 2023.

The company had initiated a brownfield project to establish a Super Specialty Cancer Wing and a human organ transplant Wing (mostly kidney, liver among others) at the existing hospital site by constructing a separate building of B+ G+11 floors. This involves expanding the total patient bed capacity to 700 (from previous levels of 500), with a project cost of Rs.460 Cr. The Company is funding the same through a mix of 8% Secured Optionally Fully Convertible Debentures, internal accruals and if need be then equipment finance loan towards the end of the project. During the year, the Company has raised 8% Secured Optionally Fully Convertible Debentures to its holding company PGFICL of Rs. 25 Cr. As on August 2023, the company has allotted another Rs. 50 Cr of debentures totalling it to Rs. 75 Cr to PGFICL. The company has incurred upto Rs. 100 Cr as on August 2023 towards the project which has been funded by debentures and balance through internal accruals. Acuité believes that going forward, despite having debt funded capex plans, the financial risk profile of the company will remain healthy backed by steady accruals.

- **Efficient working capital management of operations**

The working capital management of the company is marked by Gross Current Assets (GCA) of 45 days as on March 31, 2023 as against 40 days as on March 31, 2022. The comfortable GCA days are on account of low debtor period which stood at 23 days as on March 31, 2023 as compared to 22 days as on 31st March 2022. The hospital has established partnerships with various government departments/organizations and PSUs, including AIA, PSU Banks, NALCO, RBI, and NTPC. Additionally, it is empaneled with health schemes from both central and state governments. Despite these collaborations contributing 55-60 % to the hospital's revenue, payments are completed within a timeframe of two to three months. PHHRCL is registered with the majority of the industry's TPAs, guaranteeing timely payments from TPA/Insurance

companies within the specified period. Further, the inventory period stood at 10 days as on 31st March, 2023 similar to that of 31st March 2022 levels. Acuité believes that the working capital operations of the company will remain efficient owing to its collection mechanism and maintenance of lower inventory over the medium term.

### **Weaknesses**

- **Highly regulated nature of healthcare industry with geographic concentration**

The healthcare industry is regulated by several policies and bodies in terms of pricing, quality control, safety and health standards, and several other certifications and control standards. The company has to undergo necessary approvals and certifications, further the same has to be regularly upgraded for smooth functioning of their business. Any changes in regulations by the regulatory bodies may hamper the business of the companies prevailing in the industry.

Furthermore, PHHRCL remains exposed to the geographical concentration risk as its operations are mostly confined to Kolkata, West Bengal. Moreover, intense competition from other players in the industry restricts pricing flexibility, which also exerts pressure on its profitability. Acuite believes that the business risk profile of the Company will remain constrained due to geographic concentration alongwith presence in regulated nature of health care industry.

### **Rating Sensitivities**

- Improvement in the scale of operation while sustaining its profitability margin
- Timely completion of the project without any cost or time overrun
- Elongation in working capital cycle

### **All Covenants**

None

### **Liquidity Position**

#### **Strong**

The company has a strong liquidity profile marked by steady net cash accruals of Rs.39.86 Cr as on March 31, 2023 as against no long term debt repayment over the same period. Further, the current ratio stood comfortable at 3.67 times as on March 31, 2023. The cash and bank balances of the company stood at Rs.5.63 Cr as on March 31, 2023. Moreover, the working capital management of the company is marked by Gross Current Assets (GCA) of 45 days as on March 31, 2023 as against 40 days as on March 31, 2022. Acuite believes that the company will maintain strong liquidity position due to steady accruals, comfortable current ratio over the medium term despite undertaking the capex project.

### **Outlook: Stable**

Acuité believes that the outlook on PHHRCL will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations and healthy business risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its profitability while increasing its scale of operations. Conversely, the outlook may be revised to 'Negative' in case of any significant delays in executing its capex project or elongation in its working capital management leading to deterioration of its gearing and liquidity position.

### **Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	296.11	252.07
PAT	Rs. Cr.	33.48	16.94
PAT Margin	(%)	11.31	6.72
Total Debt/Tangible Net Worth	Times	0.51	0.19
PBDIT/Interest	Times	33.18	18.74

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

Not Applicable

### Any other information

Not Applicable

### 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>

### 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
26 Jul 2022	Proposed Bank Facility	Long Term	20.00	ACUITE BBB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A-   Stable   Upgraded

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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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