

April 03, 2024

Iconkrishi Institute of Medical Sciences Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund-based – Term loan	14.00	14.00	[ICRA]BBB+ (Stable) reaffirmed
Long-term – Fund-based – Cash credit	3.00	3.00	[ICRA]BBB+ (Stable) reaffirmed
Total	17.00	17.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation considers ICRA’s expectation that Iconkrishi Institute of Medical Sciences Private Limited (IIMSPL) will maintain its credit profile with healthy growth in revenues and earnings on the back improvement in operational parameters such as occupancy, average revenue per occupied bed (ARPOB) and average length of stay (ALOS). While the company’s revenue growth was modest at 2% in FY2023, the company is estimated to have recorded a healthy revenue growth of 20-25% in FY2024 on the back of addition of 35 beds and healthy revenues from segments such as gastroenterology, and mother and child, leading to improved occupancy and ARPOB, albeit on a modest base. The company is expected to record single-digit revenue growth in FY2025, driven by stable demand.

The company’s operating margin moderated to 10.8% in FY2023 from 21.5% in FY2022 in the absence of Covid-19 revenues, which commanded higher margins. Going forward, the company’s margins are expected to remain stable at 10-12%. The rating considers the support extended by IIMSPL’s parent, Krishna Institute of Medical Sciences, who supported the company through infusion of unsecured loans/ preference shares in the past. The hospital operated by IIMSPL in Visakhapatnam uses the same brand name (KIMS ICON) as its parent and also receives operational support from KIMS, which has an established presence of over two decades in the healthcare industry.

The rating is, however, constrained by the company’s moderate scale of operations as indicated by its revenues of ~Rs. 107.3 crore in FY2023 as well as high geographical and asset concentration risks as its revenues come from a single hospital in Visakhapatnam. Moreover, the company’s receivables increased to 66 days as on March 31, 2023, and remained high in February 2024 owing to increased revenue share from schemes such as Arogyasri and corporate empanelments. The rating is also constrained by the intense competition in the healthcare industry wherein IIMSPL’s ability to retain key consultants remains critical, and the hospital’s exposure to regulatory risks including the risk of restrictive pricing, and regulations instated by the Central and state governments.

The Stable outlook on the long-term rating reflects ICRA’s expectation that the company will be able to improve its earnings from healthy occupancy levels and patient footfalls, and will continue to benefit from its parental support.

Key rating drivers and their description

Credit strengths

Support from KIMS – The rating takes support from the strong profile of the parent, KIMS. The parent is expected to support IIMSPL, if required, since they share the same brand name (KIMS ICON) along with a track record of parental support in the form of infusion of funds as unsecured loans/ preference shares. The KIMS Group has a long operational track record in the tertiary and the quaternary healthcare segments. IIMSPL benefits from the strong brand reputation and the extensive experience of the Group in the healthcare industry. Rebranding the hospital as “KIMS Hospitals” in FY2019 has helped attract a higher share of critical/ elective surgeries. The Group also has renowned doctors and experienced medical consultants.

Credit challenges

Moderate scale of operations with high geographical concentration risk – The scale of operations for the company is moderate with 469 beds and revenue of Rs.107.3 crore in FY2023. The company is expected to record a healthy revenue growth of 20-25% in FY2024, albeit on a modest base, on the back of improved occupancy and ARPOB. However, revenue growth is expected to moderate to single digit in FY2025. Improvement in ARPOB remains critical for improvement in scale as the company has been operating at a healthy occupancy of over 80% in the past four years. The company is exposed to high geographical and asset concentration risk as it operates a single hospital in Visakhapatnam.

Stretched receivables cycle impacting the company’s liquidity position – The company’s outstanding receivables increased to 66 days as on March 31, 2023 from 39 days as on March 31, 2022 and remained high in February 2024 owing to higher skew towards schemes such as Arogyasri and corporate empanelments in its revenue mix and delays in receivables from these payor categories. High receivables have impacted the company’s liquidity position.

Intense competition in the industry – Retaining doctors would remain a key challenge for the company given the intense competition in the healthcare industry. ICRA also notes the exposure of hospitals to regulatory risks, including that of restrictive pricing regulations instated by the Central and state governments.

Liquidity position: Stretched

The liquidity of the company is stretched on account of increased receivables. The company had a buffer of Rs. 2.27 crore in working capital limits as on December 31, 2023, and Rs. 1.0-2.0 crore free cash balances against repayment obligations of about Rs. 4.0-4.5 crore over the next 12 months. However, KIMS is expected to extend support, as and when required.

Rating sensitivities

Positive factors – - The ratings could be upgraded if there is sustained improvement in the scale of operations of IIMSPL leading to a healthy financial profile and liquidity position. Moreover, improvement in the credit profile of the parent, KIMS, would also be a credit positive.

Negative factors – The ratings may be downgraded if there is a deterioration in the credit profile of the parent, KIMS, or weakening of linkages with the parent. Further, negative pressure on the rating could emerge with sharp deterioration in the earnings or significant rise in debt levels, resulting in moderation of debt coverage metrics or liquidity position of the company.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology-Hospitals
Parent/Group support	Implicit support from parent, KIMS
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of IIMSPL, along with implicit support from KIMS.

About the company

IIMSPL is a 469-bed multi-speciality hospital based out of Visakhapatnam, Andhra Pradesh. The hospital was set up by Vishaka Dairy (under the Milk Producers and Employees Educational, Health and Medical Welfare Trust) for its employees and milk supplying farmers. The hospital offers services across 30 speciality departments. IIMSPL started operations from April 10, 2018, and w.e.f. May 5, 2018, it became a subsidiary of KIMS. The majority stake (51%) is held by KIMS and the balance by the doctors.

Key financial indicators (audited)

IIMSPL	FY2022	FY2023
Operating income	105.5	107.3
PAT	15.4	6.7
OPBDIT/OI	21.5%	10.8%
PAT/OI	14.6%	6.2%
Total outside liabilities/Tangible net worth (times)	1.0	1.7
Total debt/OPBDIT (times)	0.5	2.7
Interest coverage (times)	19.3	5.2

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				April 03, 2024	-	Jan 12, 2023	Mar 31, 2022
1 Term loans	Long term	14.0	11.46	[ICRA]BBB+ (Stable) reaffirmed	-	[ICRA]AA-(CE)(Stable) withdrawn and [ICRA]BBB+(Stable) assigned simultaneously	[ICRA]AA-(CE) (Stable)
2 Cash Credit	Long term	3.0	--	[ICRA]BBB+ (Stable) reaffirmed	-	[ICRA]AA-(CE)(Stable) withdrawn and [ICRA]BBB+(Stable) assigned simultaneously	[ICRA]AA-(CE) (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term/ Short -term – Fund-based working capital	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2019	NA	FY2027	14.00	[ICRA]BBB+ (Stable)
NA	Cash Credit	NA	NA	NA	3.00	[ICRA]BBB+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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