

July 30, 2024

KIMS Manavata Hospitals Private Limited: [ICRA]BBB (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	105.00	[ICRA]BBB (Stable); assigned
Total	105.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in the support enjoyed by KIMS Manavata Hospitals Private Limited (KMHPL) from its parent, Krishna Institute of Medical Sciences Limited (KIMS), which has a strong credit profile and established track record in the healthcare industry. KIMS holds a 51% stake in KMHPL, while the rest is held by Dr. Raj Vasantrao Nagarkar and his family. KIMS is expected to support KMHPL in funding its capital expenditure (capex), working capital, and debt servicing, if required. The rating also factors in the strategic importance of this hospital to the parent as it provides geographical diversification.

KMHPL is setting up a 275-bed hospital in Nashik, Maharashtra, at an estimated cost of Rs. 154 crore (excluding land cost), which would be funded by Rs. 105-crore term loans and Rs. 49-crore worth optionally convertible redeemable preference shares (OCRPS) from KIMS. As on June 25, 2024, the company has incurred Rs.131 crore towards the project cost, out of which Rs. 81 crore was funded through bank debt and the rest through funds from KIMS.

The rating is constrained by the project-stage risks wherein certain key approvals required for the commencement of operations are still awaited. Timely commencement and healthy ramp-up of operations remain critical, given the debt-funded capex towards the project. While the management plans to commence operations in a couple of months, receipt of required clearances such as occupancy certificate, clinic establishment, Pollution Control Board approval, environmental go-ahead etc. remains crucial for the timely commencement of operations. KMHPL will depend on KIMS in the near term to meet its working capital and debt obligations, given the likely losses in the initial stages of operations. The rating also considers the intense competition and regulatory risks prevalent in the healthcare industry.

The Stable outlook on the rating reflects ICRA's opinion that the company would be able to commence and ramp up operations in a timely manner and it would continue to receive support from its parent.

Key rating drivers and their description

Credit strengths

Strong parentage and partnership with reputed doctor – KIMS is one of the leading multi-disciplinary, integrated, private healthcare service providers in South India. KIMS operates a chain of multispecialty hospitals with a focus on tertiary and quaternary healthcare with a total bed capacity of 3,975. KMHPL would benefit from KIMS' expertise in setting up and ramping up operations of new hospitals successfully. KIMS has expressed willingness to support KMHPL, when required. KMHPL will be managed by Dr. Raj Vasantrao Nagarkar, a reputed surgical oncologist. His presence will be a key factor in attracting more patients.

Project offers geographical diversification to parent – KMHPL provides geographical diversification to its parent by expanding its presence to Nashik, Maharashtra.

Credit challenges

Timely receipt of approvals and successful ramp-up of operations are critical – KMHPL is setting up a 275-bed hospital in Nashik at a cost of Rs.154 crore, which is being funded through term loans of Rs.105 crore and Rs.49-crore optionally convertible redeemable preference shares. While the company's management plans to commence operations in the next couple of months, timely receipt of requisite approvals remains crucial. Moreover, successful ramp-up of operations would be a key monitorable.

Dependent on parent support in the near term, given the likely losses during the initial stages of operations – KMHPL is expected to witness lower occupancy during the initial period of operations and is likely to incur operating losses in the near term. Thus, KMHPL will be dependent on support from KIMS to meet its working capital and debt obligations. The rating also considers intense competition and regulatory risks prevalent in the healthcare industry.

Liquidity position: Adequate

The liquidity of the company is **adequate**. The company is constructing a new hospital at an estimated capex of Rs.154 crore. It is expected to incur further Rs.22-23 crore over the next 3-4 months, which will be funded by term loan (debt has been sanctioned). The company is likely to be supported by KIMS in meeting its interest and debt repayment obligations (repayments would commence from April 2025).

Rating sensitivities

Positive factors – ICRA could upgrade KIMS Manavata's rating if the company completes the construction of the project in a timely manner without any material time or cost overrun, followed by a healthy ramp-up of operations. Improvement in the parent's credit profile could also trigger a rating upgrade.

Negative factors – Pressure on KIMS Manavata's rating could arise if any significant delay in project completion or any major cost overrun impacts the company's liquidity position or its debt metrics. Any moderation in the parent's credit profile or weakening of linkages with the parent could also trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hospital
Parent/Group support	Implicit support from the parent entity, Krishna Institute of Medical Sciences
Consolidation/Standalone	Standalone financials have been considered for arriving at the ratings

About the company

KIMS Manavata Hospitals Private Limited was incorporated in 2022 as a 51% subsidiary of Krishna Institute of Medical Sciences Limited (KIMS/ The Group), with Dr. Raj Vasanth Rao Nagarkar as the largest minority shareholder. It is setting up a 275-bed multi-specialty hospital in Nashik, Maharashtra at an estimated cost of Rs. 154 crore, funded through Rs. 105-crore term debt and Rs.49-crore equity (infused as convertible preference shares). The hospital is expected to commence operations in Q3 FY2025.

Key financial indicators (audited): Not Applicable as it is a project stage entity

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			July 30, 2024	-	-	-
1 Fund Based/Term loans	Long term	105.00	[ICRA]BBB (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	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-I	March 29, 2023	NA	September 30, 2032	105.00	[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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Branches



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