

September 27, 2024

Indira IVF Hospital Private Limited: [ICRA]A(Stable) reaffirmed/assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	-	[ICRA]A (Stable); reaffirmed
Long Term – Fund Based- Term Loan	0.00	46.83	[ICRA]A (Stable); assigned
Total	0.00	46.83	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation considers the strong business profile of Indira IVF Hospital Private Limited (Indira IVF), characterised by its established brand presence in the Indian in-vitro fertilisation (IVF) industry. With its promoters having an experience of over a decade in the IVF industry, the company has a proven track record and is one of the leading IVF players in the country. Indira IVF has demonstrated strong revenue growth over the years, backed by a significant increase in footprint and the consequent growth in the number of IVF cycles. Moreover, the short turnaround time for newly launched centres to reach breakeven, given the high throughput and asset-light business model, underpins the company's strong financial performance. The company also benefits from the steady inflow of specialist doctors trained at its own training institute, helping it to grow faster while being profitable.

The company's revenue rose 21.3% to Rs. 1,476.4 crore in FY2024 on the back of improvement in realisation per cycle to ~Rs. 3.5 lakh from ~Rs. 3.1 lakh in FY2023 (a YoY growth of 12.9%) and the number of cycles increasing to 42,484 in FY2024 from 39,483 in FY2023 (a YoY growth of 7.6%). Incremental revenues from the newly opened centres (131 centres as of March 2024 against 116 as of March 2023) also supported the revenue growth to a certain extent. The company's operating margin remained stable at 34.5% in FY2024 against 34.7% in FY2023.

As on August 2024, the company had 149 operational centers and considering the favorable demand outlook for the IVF industry, the company has planned for significant addition of IVF centers with ~59 and ~82 centers expected to be added in FY2025 and FY2026 respectively. Most of these planned additions will be towards OPD centres, which require lower capex (in comparison to the main centres). The expected capex for the same is Rs.70-80 crore each year and will be funded through internal accruals. Further, in FY2024, the company entered a new vertical of Mother & Childcare, wherein it plans to open hospitals. The company's first hospital (150-bed hospital) is expected to commence operations at Viman Nagar in Pune from October 2024. The company has plans to open two more hospitals, one at Prayagraj and the other at Varanasi. The capex for the hospital segment is being funded through internal accruals of the company. While significant addition of new centres and entry into the hospital segment are expected to have some impact on the company's operating margins in the near term, the company's track record of achieving breakeven within a short period for the newly launched centres gives some comfort. However, the impact of Indira IVF's entry into the hospital segment (which has a long gestation period) on the company's overall credit profile will remain a key monitorable. Any significant debt-funded capex or major inorganic expansion continues to be an event risk and would be evaluated on a case-to-case basis.

ICRA had noted sizeable funds raised by the company in FY2023 wherein Spaceway Wellness Private Limited (Spaceway, a SPV created for the sole purpose of providing exit to the erstwhile promoters) availed a term loan of Rs. 1,150 crore to fund the acquisition of a 26% stake in Indira IVF for providing exit to the two erstwhile shareholders. As on March 31, 2024, term loan worth ~Rs. 248 crore was outstanding and the same was transferred to Indira IVF following the amalgamation of Spaceway into Indira IVF in April 2024. The company is expected to completely repay this term loan by the end of October 2024 (~Rs.46

crore outstanding as of August 2024). Although sizeable debt addition moderated the company's Total Debt /OPBDITA to 1.8 times as on March 31, 2023, from 1.1 times as on March 31, 2022, the same improved to 1.2 times as on March 31, 2024, on the back of prepayments of term debt and healthy accruals.

Further, ICRA notes that Baring Private Equity Asia (BPEA) acquired TA Asia Pacific Acquisitions Limited's stake in the company and a part stake from the promoters in two tranches in July 2023 and July 2024. This was a secondary sale transaction and following this, BPEA holds a 60.06% stake in the company with the balance stake held by the promoters.

The company is exposed to the regulatory risks inherent to the industry. Assisted Reproductive Technology (Regulation) Act, 2021, came into effect from January 25, 2022, and aims at regulation and supervision of ART clinics. Restriction of one donor supply to one recipient is one of the regulations, which has impacted donor supply in the industry and increased the donor cost to a certain extent. However, the company has been able to pass on any increase in donor cost, following this regulation, to its customers. Additionally, Indira IVF is focusing on improving the patient (self) cycles to prevent any demand-supply mismatch. While demand shifts in favour of organised players with increasing regulations, the impact of tightened policies on the company and the industry will be monitored. The Indian IVF industry is intensely competitive, with the company facing competition from both specialised IVF players as well as multi-specialty hospital chains providing fertility services. Nevertheless, the dominant position of the company with an established track record is expected to support the business prospects of the company.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will continue to maintain its strong revenue increase, supported by healthy growth from its existing centres and incremental revenues from new centres and the hospital segment.

Key rating drivers and their description

Credit strengths

Strong business profile, characterised by established brand position in the Indian IVF industry and vast experience of promoters – Indira IVF's business profile is characterised by its established brand position in the Indian IVF industry with a pan-India presence and market dominance in northern and western India. The company benefits from the vast experience of its promoters, with Dr. Ajay Murdia spearheading the enterprise. Indira IVF has shown significant growth momentum in the past years, driven by a significant increase in footprint and a rise in the number of IVF cycles. As the company continues its expansion through opening new centres in India and its entry into hospital segment, revenue growth is expected to remain healthy.

Financial profile characterised by strong revenue growth and margins – The company's revenue rose 21.3% to Rs. 1,476.4 crore in FY2024 on the back of improvement in realisation per cycle to ~Rs. 3.5 lakh from ~Rs. 3.1 lakh in FY2023 (a YoY growth of 12.9%) and the number of cycles increasing to 42,484 in FY2024 from 39,483 in FY2023 (a YoY growth of 7.6%). Incremental revenues from the newly opened centres (131 centres as of March 2024 against 116 as of March 2023) also supported the revenue growth to a certain extent. The company's operating margin remained stable at 34.5% in FY2024 against 34.7% in FY2023. Going forward, the company is expected to maintain a healthy revenue growth, supported by addition of new centres and consequent increase in IVF cycles and its entry into the hospital segment. While ICRA expects some impact on the operating margin of the company in the near term due to significant addition of new centers and its entry into the hospital segment, the same is expected to remain healthy. Further, the company is expected to maintain a negative working capital cycle, supported by customer advances.

Favourable demand outlook for the IVF industry – The demand outlook for the IVF industry remains favorable in India, with several factors such as late marriages, increased pregnancy age, rising infertility rate, greater awareness on infertility treatment and technological advancement, leading to an increased success rate for the IVF treatment. Further with increasing regulations in the industry, there is a demand shift expected towards organised players. Indira IVF, along with other organised players, is expected to benefit from the same, thereby supporting its revenue growth and profitability, going forward.

Improvement in debt metrics – The company’s leverage increased in FY2023 due to fresh term loan of Rs. 1,150 crore availed (through Spaceway) for funding the acquisition of a 26% stake in IIHPL for providing exit to the two erstwhile shareholders. However, the company prepaid a large portion of the same by the end of FY2023 with an outstanding of Rs. 458.4 crore as on March 31, 2023. This further reduced to Rs.248.0 crore as on March 31, 2024. The company again prepaid a large portion of the remaining term debt in the current fiscal, resulting in an outstanding of ~Rs. 46 crore as of August 2024. Consequently, the company’s Total Debt (including Lease liabilities)/ OPBDITA improved to 1.2 times as on March 31, 2024 after moderating to 1.8 times as on March 31, 2023 from 1.1 times as on March 31, 2022. The interest coverage ratio, which declined to 4.4 times in FY2023 from 11.5 times in FY2022, improved to 7.8 times in FY2024. While the planned capex in FY2025 is expected to be completely funded through internal accruals, it is likely to have some impact on the margins. Despite this, the debt metrics are expected to remain comfortable. However, any significant debt-funded expansion, which could impact the company’s debt metrics remains a key monitorable.

Credit challenges

Planned capex expected to impact margins to certain extent – As on August 2024, the company had 149 operational centers and considering the favorable demand outlook for the IVF industry, the company has planned for significant addition of IVF centers with ~59 and ~82 centers expected to be added in FY2025 and FY2026 respectively. Most of these planned additions will be towards OPD centres, which require lower capex (in comparison to the main centres). The expected capex for the same is Rs.70-80 crore each year and will be funded through internal accruals. Further, in FY2024, the company entered a new vertical of Mother & Childcare, wherein it plans to open hospitals. The company’s first hospital (150-bed hospital) is expected to commence operations at Viman Nagar in Pune from October 2024. The company has plans to open two more hospitals, one at Prayagraj and the other at Varanasi. The capex for the hospital segment is being funded through internal accruals of the company. While significant addition of new centres and entry into the hospital segment are expected to have some impact on the company’s operating margins in the near term, the company’s track record of achieving breakeven within a short period for the newly launched centres gives some comfort. However, the impact of Indira IVF’s entry into the hospital segment (which has a long gestation period) on the company’s overall credit profile will remain a key monitorable.

Exposure to regulatory risks inherent in the sector – Like other players, Indira IVF is exposed to the regulatory risks inherent to the industry. The IVF industry is exposed to the Assisted Reproductive Technology (Regulation) Act, 2021, which aims at regulation and supervision of ART clinics and banks, limit on donor supply and embryo transfer to ensure prevention of misuse, and safe and ethical practice of ART services. One of the regulations include restriction of one donor supply to one recipient, which has impacted donor supply in the industry and increased the donor cost to a certain extent. However, the company has been able to pass on any increase in donor cost, following this regulation, to its customers. Additionally, Indira IVF is focusing on improving the patient (self) cycles to prevent any demand-supply mismatch. The impact of the ART regulations on the company and the industry will continue to remain a key monitorable. While the industry does not have any pricing caps as on date, any adverse regulation impacting pricing power of the industry players may result in moderation of revenue and profitability metrics of the Group.

Exposed to intense competition – The Indian IVF industry is intensely competitive, with Indira IVF facing competition from both specialised IVF players as well as multi-specialty hospital chains, which offer fertility services. A certain degree of competition is also observed from local/ fragmented IVF players. Such competition may result in moderation in profit margins, although the dominant position of the company with an established track record is expected to support the business prospects of the company.

Liquidity position: Adequate

The company's liquidity profile is adequate, supported by free cash, bank balance and liquid investments of ~Rs. 202.5 crore as on August 31, 2024. The company has prepaid a large portion of its term debt availed for share buyback from the erstwhile promoters and ~Rs. 46 crore remained outstanding as of August 2024. The same is expected to be completely repaid by the end of October 2024. The company is likely to incur capex of Rs. 150-200 crore in FY2025 the same, to be completely funded by internal accruals. Overall, ICRA expects the company to be able to service its existing debt repayment obligations and capital commitments from the available liquidity buffer and continued healthy cash flow generation.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is substantial revenue growth while maintaining the strong profitability levels, and demonstrating improvement in debt metrics, on a sustained basis.

Negative factors – Pressure on ratings could arise with significant contraction in revenues/profit margins or weakening of coverage or return indicators owing to sizeable debt-funded organic/inorganic expansion. Specific trigger for a rating downgrade would be Net debt/OPBDITA of more than 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hospitals
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Indira IVF and Spaceway for FY2024. Subsequently, Spaceway was merged into IIHPL.

About the company

Starting as a standalone clinic in Udaipur, Rajasthan, by Dr. Ajay Murdia in 1988, Indira IVF was incorporated in FY2015 for providing medical treatment for infertility issues in both males and females, performing IVF, intra-uterine insemination (IUI) and other allied treatments. Indira IVF has now grown into one of the leading fertility chains in India with 149 centres across the country as of August 2024. The fertility centres are equipped with advanced technologies to cater to infertility treatments like IVF, laser assisted hatching, cryopreservation, intracytoplasmic sperm injection (ICSI), IUI, blastocyst culture and transfer, laparoscopy, hysteroscopy, including donor programmes.

Key financial indicators (audited)

IIHPL Consolidated	FY2023	FY2024*
Operating income	1,217.4	1,476.4
PAT	183.0	266.2
OPBDIT/OI	34.7%	34.5%
PAT/OI	15.0%	18.0%
Total outside liabilities/Tangible net worth (times)	-3.3	-11.5
Total debt/OPBDIT (times)	1.8	1.2
Interest coverage (times)	4.4	7.8

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

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)	Sep 27, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long Term	-	[ICRA]A (Stable)	Jun 26, 2023	[ICRA]A (Stable)	Apr 14, 2022	[ICRA]A (Stable)	-	-
Fund Based – Term Loan	Long Term	46.83	[ICRA]A (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not Applicable
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	Issuer Rating	NA	NA	NA	NA	[ICRA]A(Stable)
NA	Long Term – Fund Based-Term Loan	FY2023	NA	FY2025	46.83	[ICRA]A(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

Company Name	Spaceway Ownership*	Consolidation Approach
Indira IVF Hospital Private Limited	26.00%	Full Consolidation

Note: ICRA has considered the consolidated financials of Indira IVF and Spaceway for FY2024. Subsequently, Spaceway was merged into IIHPL. * As on March 31, 2024

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