December 18, 2024

Muthoot Health Care Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based – Cash Credit	5.00	7.50	[ICRA]BBB (Stable); Reaffirmed
Long-term – Fund based – Proposed Term Loan	8.20	8.20	[ICRA]BBB (Stable); Reaffirmed
Long-term – Unallocated Limits	2.52	0.02	[ICRA]BBB (Stable); Reaffirmed
Total	**15.72**	**15.72**	

** Instrument details are provided in Annexure-I*

Rationale

The rating favourably factors in Muthoot Health Care Private Limited's (MHCPL) established position as a multispecialty hospital in Kerala. MHCPL operates two hospitals in the state with a reputed panel of doctors/surgeons across various specialties. The company's revenue rose by 14.6% in FY2024, supported by a 12.7% growth in the average revenue per occupied bed day (ARPOB), while occupancy remained stable at 65%. The company's revenue growth is expected to moderate to 5-10% in FY2025, which would be driven by planned rate hikes in H2 FY2025. MHCPL's operating margins declined to 17.5% in FY2024 from 20.5% in FY2023 owing to increased employee expenses. Margins are likely to moderate in FY2025, given the increased employee/doctor costs. However, planned price hikes and an increase in the scale of operations are expected to offset the impact of higher costs to an extent. The rating also draws comfort from the strength which the company derives for being a part of the Muthoot Group, which has a diversified presence in financial services, hospitality, healthcare, and education sectors. Additionally, MHCPL benefits from the personal involvement of the Muthoot family members in its operations.

The rating, however, remains constrained by the company's accumulated net losses as the Muthoot Group runs the hospitals for philanthropic purposes and offers subsidised rates for various medical facilities. However, an improvement in the company's net worth is anticipated owing to the healthy earnings in the medium term. The company's current debt profile comprises unsecured loans from promoters and working capital borrowings. It has been repaying the promoter loans to the tune of Rs. 0.75 crore per month and is expected to continue to repay the same, going forward, subject to availability of funds. However, ICRA notes that the promoters would support the company in a timely manner, if required. MHCPL continues to face competition from other such hospitals in the vicinity and nearby cities.

The Stable outlook on the rating reflects ICRA's opinion that MHCPL will maintain its credit profile with growth in revenues and earnings and will continue to benefit from the extensive experience of its promoters and their personal involvement, aided by the reputation of the Muthoot Group.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established presence of the Muthoot Group – ICRA draws comfort from the good franchise and market position of the Muthoot Group, which has extensive experience and diversified revenue streams. The key promoters are personally involved with the hospitals, providing comfort in terms of operations as well as funding support.

Established position with good infrastructure – The extensive track record of the hospitals in Kerala provides comfort. Both the hospitals have an established panel of doctors/surgeons across multiple specialties with quality medical infrastructure.

Regular support by the Muthoot family – The promoters have extended unsecured loans to the company over the years, which supported its debt service obligations. Unsecured loans from directors stood at Rs. 55.0 crore as of March 31, 2024. While the company utilised excess cash flows generated in the past three years to repay a part of the promoters' loans, the promoters are expected to support the entity in meeting its debt obligations or working capital requirements, if required.

Credit challenges

Moderate scale of operations – The company's scale of operations is moderate with an operating income of Rs. 114.0 crore in FY2024. The hospital witnessed a marginal growth of 0.7% in the number of in-patients owing to increased referrals in the oncology department. The hospitals' occupancy rates continued to remain stable at 65% in FY2024. While the company is expected to record a healthy revenue growth of 5-10% in FY2025 due to planned rate hikes, its scale is likely to remain moderate in the near term. Additionally, hiring of new doctors is also expected to aid revenue growth in the near term.

Competition from bigger players; ability to attract talent remains key – The hospitals cater to a specific catchment area and have created their own brand. However, they face competition from bigger entities in nearby towns/cities, especially for critical care treatment. Thus, the hospitals' ability to retain key medical talent to attract patients will be crucial in the long term.

Liquidity position: Adequate

MHCPL's liquidity position is **adequate**. The company is generating adequate cash flow to repay the unsecured loans from the promoters. The promoters are also committed to provide their support, as and when needed. The company has a capex plan of Rs. 12.0-14.0 crore for FY2025, for which it intends to avail Rs. 10-crore term loan. The same is yet to be tied up. The company is expected to generate retained cash flows over Rs. 15.0 crore to fund the rest of the capex plans. ICRA notes that the promoters would support the company in a timely manner if there is any shortfall towards debt repayment obligations.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company demonstrates a healthy growth in its scale of operations and net worth on a sustained basis while maintaining its profitability.

Negative factors – ICRA could downgrade MHCPL's rating if there is a decline in revenues or profitability, impacting the company's debt metrics and overall financial profile or if there is any delay in timely financial support from the promoters.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Hospitals
Parent/Group support	Not Applicable.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

Muthoot Hospital, Kozhencherry, Kerala, is a renowned multi-speciality hospital since 1988. The medical centre offers over 15 specialities and nine super-speciality medical services. Mar Gregorious Memorial Muthoot Medical Centre, Muthoot Hospital, Pathanamthitta, Kerala, is a super-speciality hospital that was launched in 2003. It caters to 12 specialities and seven super-specialities, with 24-hour trauma care, laboratory, pharmacy, radiology, CT, MRI, quality, and infection control departments, among others. The company is headed by Dr. George Kurien Muthoot (close relative of Mr. George Alexander Muthoot), who has over 20 years of experience in healthcare.

Key financial indicators (audited)

MHCPL Standalone	FY2023	FY2024
Operating income	99.5	114.0
PAT	13.8	13.3
OPBDIT/OI	20.5%	17.5%
PAT/OI	13.8%	11.6%
Total outside liabilities/Tangible net worth (times)	-1.9	-2.6
Total debt/OPBDIT (times)	3.6	3.2
Interest coverage (times)	29.2	39.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; 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	Current (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash Credit	Long term	7.50	18-Dec 2024	[ICRA]BBB (Stable)	06-Oct 2023	[ICRA]BBB (Stable)	02-Dec-2022	[ICRA]BBB (Stable)	23- Sep 2021	[ICRA]BBB (Stable)
Fund based – Proposed Term Loan	Long term	8.20	18-Dec 2024	[ICRA]BBB (Stable)	06-Oct 2023	[ICRA]BBB (Stable)	-	-	-	-
Fund based – Term Loan	Long term	-	-	-	-	-	02-Dec-2022	[ICRA]BBB (Stable)	23- Sep 2021	[ICRA]BBB (Stable)
Unallocated Limits	Long term	0.02	18-Dec 2024	[ICRA]BBB (Stable)	06-Oct 2023	[ICRA]BBB (Stable)	02-Dec-2022	[ICRA]BBB (Stable)	23- Sep 2021	[ICRA]BBB (Stable)
Market Linked Debentures	Long term	-	-	-	06-Oct 2023	PP-MLD [ICRA]BBB (Stable); Reaffirmed and Withdrawn	02-Dec-2022	PP-MLD [ICRA]BBB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Cash Credit	Simple
Long-term – Fund based – Proposed Term Loan	Simple
Long-term – Unallocated Limits	Not Applicable

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	**Fund based – Cash Credit**	NA	NA	NA	7.50	[ICRA]BBB (Stable)
NA	**Fund based – Proposed Term Loan**	NA	NA	NA	8.20	[ICRA]BBB (Stable)
NA	**Unallocated Limits**	NA	NA	NA	0.02	[ICRA]BBB (Stable)

Source: Company

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

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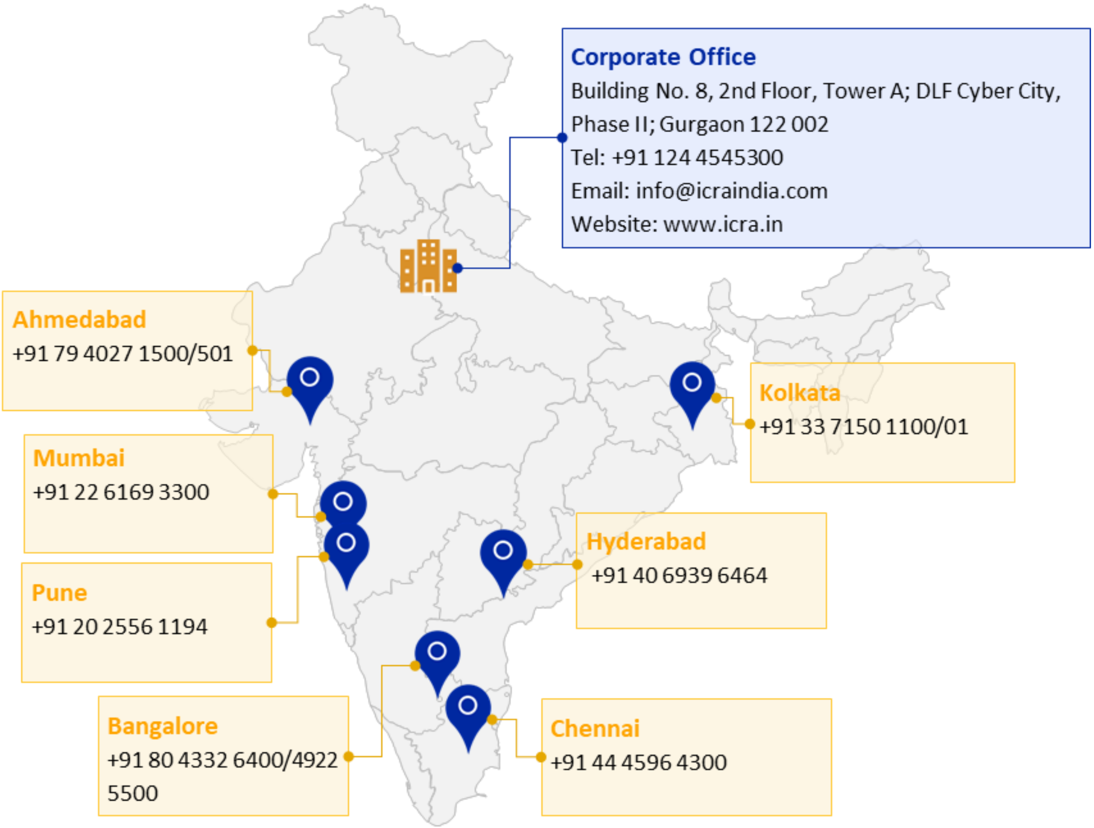

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