

January 03, 2025

## Unimed Health Care Pvt. Ltd.: 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	150.00	150.00	[ICRA]A- (Stable); reaffirmed
Long-term – Fund-based – Cash Credit	2.00	2.00	[ICRA]A- (Stable); reaffirmed
Long-term – Unallocated	61.00	61.00	[ICRA]A- (Stable); reaffirmed
Short-term – Fund based - Overdraft	27.00	27.00	[ICRA]A2+; reaffirmed
<b>Total</b>	<b>240.00</b>	<b>240.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings action considers ICRA's expectation that Unimed Health Care Pvt. Ltd.'s (UHCPL) credit profile would remain stable in the near-to-medium term and be supported by steady ramp-up of operations of the new hospital in Nanakramguda, leading to improved earnings and debt metrics. While the new hospital commenced operations with 120 beds in March 2023, the operational capacity was increased to 154 beds in November 2024. Occupancy at the new hospital improved to ~66% in 7M FY2025 from ~41% in FY2024 with improved footfalls, backed by a team of reputed consultants. Its average revenue per occupied bed day (ARPOBs) has been healthy and is at par with its 300-bed matured hospital in Banjara Hills, Hyderabad. The company is expected to record strong revenue growth of over 30% in FY2025 on the back of healthy ramp-up of the new unit and steady performance of the matured hospital. While the company's operating margin declined sharply in FY2024 owing to losses incurred by the new hospital in the first year of operations, the same is recovering in FY2025 with healthy scale-up of operations. Accordingly, ICRA expects an improvement in the company's overall capital structure and debt metrics in FY2025, with net debt/ OPBITDA of less than 1.0 times, after a moderation in FY2024.

The ratings remain supported by UHCPL's established track record in the healthcare industry, reputed brand of Star Hospital (UHCPL's brand name) in Hyderabad, particularly in the cardiac sciences segment, and expected steady revenue growth from other segments, including nephrology, orthopaedics, and pulmonology, among others. The ratings continue to derive strength from UHCPL's experienced promoters, reputed doctors and consultants, whose established track record strengthens its business prospects. The ratings, however, are constrained by UHCPL's high geographical concentration in Hyderabad and intense competition in the region from several reputed hospitals. The ratings also consider regulatory risks inherent to the healthcare industry.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's revenues and earnings are likely to witness a strong growth, supported by healthy occupancy and ARPOBs, leading to improved financial profile.

### Key rating drivers and their description

#### Credit strengths

**Reputed brand and experience of promoters in healthcare industry** – UHCPL operates two hospitals with a total bed capacity of 600 under the brand, Star Hospital, which has an established presence in Hyderabad. It is promoted by a group of doctors and entrepreneurs, led by Dr. Gopichand Mannam, having significant experience in the healthcare industry.

**Comfortable capital structure and debt coverage metrics despite temporary moderation owing to debt-funded capex** – The capital structure of the company remains comfortable, characterised by a gearing of 0.8 times as on March 31, 2024. The company had total debt of Rs. 147.5 crore as on March 31, 2024, which comprised term loans availed to fund the capex towards the new hospital. The debt coverage indicators moderated in FY2024, as reflected in net debt/OPBITDA of 3.8 times and DSCR of 2.5 times owing to losses incurred by the new hospital in its first year of operations. Nevertheless, given the expected recovery in margins, the company’s debt metrics are expected to improve in FY2025, as indicated by expected net debt/OPBITDA of less than 1.0 times and DSCR of 4-6 times.

### Credit challenges

**Moderate scale of operations** – UHCPL’s scale of operations remained moderate, with an operating income of Rs. 429.6 crore in FY2024 and ~Rs. 330.0 crore in 7M FY2025. The company operates two hospitals in Hyderabad with a total capacity of 600 beds. ICRA expects the company to achieve a revenue growth of 30-35% in FY2025 and healthy double-digit growth in FY2026, driven by stable revenue increase in its existing hospital and a ramp-up of operations of its new hospital. The losses incurred by the new hospital impacted the company’s margins in FY2024. However, the OPM has improved to ~17% in 7M FY2025 on the back of increase in operations of the new hospital and higher ARPOBs. Earnings are expected to improve in FY2025.

**Exposed to geographical concentration and regulatory risks** – The company encounters geographical concentration risk as its entire bed capacity is in Hyderabad, and faces intense competition from several reputed hospitals in the region. Considering the intense competition, UHCPL’s ability to retain key consultants and doctors and improve its operating metrics is critical. ICRA also notes the regulatory risks, including restrictive pricing regulations, stricter compliance norms, among others, which are inherent to the healthcare industry.

### Liquidity position: Adequate

The company’s liquidity position is adequate with undrawn working capital limits of ~Rs. 29.0 crore as on October 31, 2024, and free cash and liquid investments of ~Rs. 105.0 crore as on December 15, 2024, against repayment obligations of Rs. 11-13.0 crore in the next 12 months. Moreover, the company is expected to generate retained cash flow of Rs. 70.0-90.0 crore in FY2025. The company had free cash and liquid investments of ~Rs. 64.0 crore as on March 31, 2024.

### Rating sensitivities

**Positive factors** – ICRA could upgrade UHCPL’s ratings if it demonstrates strong growth in its scale of operations while maintaining healthy profitability on a sustained basis.

**Negative factors** – Pressure on the ratings could arise if any material decline in revenues or low margins impact its financial profile. A major debt-funded capex or sizeable outflow towards any acquisition, impacting its debt metrics, could also result in ratings downgrade. Specific credit metric that may lead to ratings downgrade include net debt/OPBITDA of more than 2.0 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Hospitals</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of UHCPL

## About the company

Promoted by a group of doctors and entrepreneurs led by Dr. Gopichand Mannam, Unimed Health Care Private Limited (UHCPL) owns and operates two hospitals, under the brand 'Star Hospital' in Hyderabad – a 310-bedded hospital (capacity expanded from 130 during FY2015 and FY2016) in the Banjara Hills and a 201-bed hospital (expandable to 300 beds) in Nanakramguda, which commenced operations in March 2023. The promoter, Dr. Mannam, is a renowned cardiothoracic surgeon, who has been practising in Hyderabad since 1994. The promoter group also includes Dr. Nagarjuna Reddy Ponugoti and Mr. P. Jairaj Kumar.

## Key financial indicators (audited)

UHCPL	FY2023	FY2024
Operating income	315.8	429.6
PAT	35.4	-21.2
OPBDIT/OI	16.7%	6.3%
PAT/OI	11.2%	-4.9%
Total outside liabilities/Tangible net worth (times)	1.2	1.4
Total debt/OPBDIT (times)	1.3	5.5
Interest coverage (times)	17.6	2.4

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	Type	Amount rated (Rs. crore)	Current rating (FY2025)		Chronology of rating history for the past 3 years		
			Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			Jan 03, 2025	April 05, 2024	Apr 06, 2023	Aug 12, 2022	Jul 08, 2021
1 Term loans	Long term	150.0	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
2 Cash credit	Long term	2.0	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
3 Unallocated	Long term	61.0	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
4 Overdraft	Short term	27.0	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based-Term Loan	Simple
Long-term – Fund-based-Cash credit	Simple
Short term – Fund based - Overdraft	Very simple
Long term – unallocated	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	Term loan – 1	2023	NA	2031	90.0	[ICRA]A-(Stable)
NA	Term loan – 2	2023	NA	2032	30.0	[ICRA]A-(Stable)
NA	Term loan – 3	2023	NA	2032	30.0	[ICRA]A-(Stable)
NA	Cash credit	NA	NA	NA	2.0	[ICRA]A-(Stable)
NA	Unallocated	NA	NA	NA	61.0	[ICRA]A-(Stable)
NA	Overdraft	NA	NA	NA	27.0	[ICRA]A2+

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**

## ANALYST CONTACTS

**Shamsher Dewan**  
+91 12 44545300  
[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Srikumar K**  
+91 44 45964318  
[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Nithya Debbadi**  
+91 40 6939 6416  
[nithya.debbadi@icraindia.com](mailto:nithya.debbadi@icraindia.com)

**Raviteja Etikala**  
+91 40 6939 6418  
[etikala.teja@icraindia.com](mailto:etikala.teja@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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