April 08, 2025

NU Hospitals Pvt Ltd: Ratings downgraded to [ICRA]BBB- (Stable)/ [ICRA]A3 from [ICRA]BBB (Stable)/ [ICRA]A3+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term-Fund based-Term loans	17.72	17.72	[ICRA]BBB- (Stable); downgraded from [ICRA]BBB (Stable)
Long term-Fund based-Cash credit	10.00	10.00	[ICRA]BBB- (Stable); downgraded from [ICRA]BBB (Stable)
Long term - Unallocated	7.34	7.34	[ICRA]BBB- (Stable); downgraded from [ICRA]BBB (Stable)
Short term - Interchangeable	(5.00)	(5.00)	[ICRA]A3; downgraded from [ICRA]A3+
Total	**35.06**	**35.06**	

**Instrument details are provided in Annexure I*

Rationale

The rating revision of NU Hospitals Pvt Ltd (NHPL) primarily considers the company's increasing working capital intensity on account of a stretched receivables position from its Maldives operations. The company operates the nephrology and urology departments of the Indira Gandhi Memorial Hospital (IGMH) in Malé, Maldives, a hospital run by the Maldivian Government. While the company is receiving some dues from the Maldivian government periodically, the overall receivables days have remained elevated from ~153 days in FY2024 and ~199 days in 10M FY2025. The timing and quantum of balance received from its Maldivian operations will remain a key monitorable for the company, going forward.

The ratings continue to factor in NHPL's established presence in Bengaluru, especially in the nephrology and urology segments and the company's diverse patient revenue mix, as a sizeable portion of its revenues is derived from global operations and international patients visiting its Indian hospitals. The company's occupancy increased marginally due to increase in in-patient footfalls. The company generates significant out-patient revenues from day-care procedures, including dialysis, limiting NHPL's occupancy levels to some extent. Further, the ratings consider NHPL's financial profile, characterised by healthy margins, comfortable capital structure and strong debt protection metrics.

However, the ratings are constrained by the company's moderate scale of operations with revenues of Rs. 168.6 crore in FY2024 and Rs. 120.6 crore in 10M FY2025, and the current high working capital intensity. The ratings also consider the high reliance on its Bengaluru facilities, which contributed 65-70% of its operating income in FY2024 and 10M FY2025. Further, ICRA notes that retention of doctors remains a key challenge, considering the intense competition in the healthcare sector. ICRA also notes the regulatory risks for the sector, wherein restrictive pricing regulations could constrain the profit margins.

The Stable outlook on the long-term rating of NHPL reflects ICRA's opinion that the established track record of nephrology and urology segments of the hospital for over two decades is likely to support its business position while sustaining its operating margin in the long run.

Key rating drivers and their description

Credit strengths

Reputed brand name and experience of promoters in healthcare industry – NHPL operates four super-speciality hospitals under the brand name of 'NU Hospitals', which has an established presence in Bengaluru. Further, the company offers services in the nephrology and urology sections of IGMH in Male, Maldives. NHPL is promoted by a group of doctors, led by Dr. Prasanna Venkatesh, who has significant experience in the healthcare industry. In its 26 years of operations, the company has completed more than 60,000 urological surgeries, conducted more than 4,50,000 dialysis, and performed more than 10,00,000 outpatient consultations.

Diversified patient mix – The company has a diverse patient revenue mix, and it also caters to international patients in its Bengaluru hospitals, supporting the company's profitability. International footfalls in the company's Indian hospitals started improving in FY2022 (after declining during the Covid-19 pandemic). The international patient footfalls sustained at healthy level and contributed to ~12% of revenues in FY2024 and ~14% in 10M FY2025.

Financial profile characterised by healthy margins and debt protection metrics – The company's debt metrics are healthy, as reflected in a comfortable capital structure with a gearing of 0.2 times as on March 31, 2024. NHPL's debt coverage metrics stood strong, as reflected in the interest coverage ratio of 23.5 times, DSCR of 3.3 times in FY2024 and NCA/total debt of 174.2% as on March 31, 2024. The operating margins in FY2024 continued to remain healthy at 22.2%. The total debt/OPBITDA ratio as on September 30, 2024, remained comfortable at 0.4 times with an operating margin of 25.3% in H1 FY2025, given the operating leverage benefit. The company's debt metrics and margins are expected to remain strong in the near term, supported by limited reliance on debt and healthy profit margins even as the company incurs capex towards the construction of a new hospital funded through a mix of debt and internal accruals.

Credit challenges

Significant increase in working capital intensity in FY2024 and H1 FY2025 due to delayed receivables from the Maldives operations – The company's working capital intensity witnessed a deterioration in FY2024 and H1 FY2025, which is largely attributed to the increase in receivables position from its Maldives operations The company has witnessed significant delays in receiving dues from the Maldivian Government, which resulted in a sizeable build-up of receivables. While the company has been periodically receiving the pending receivables from the Maldivian Government, the timing and quantum of balance received from its Maldivian operations will remain a key monitorable, going forward.

Moderate scale of operations – The company has a moderate scale of operations with an operating income of Rs. 168.6 crore in FY2024 and ~Rs. 120.6 crore in 10M FY2025. The revenues are expected to witness a slight contraction in FY2025, largely due to a reduction in the scale of pharmacy operations. While the occupancy rate improved marginally backed by increased patient footfall at Padmanabhanagar hospital, the occupancy rates across the hospitals have been low over the years. However, the company gets significant outpatient revenues from day-care procedures, including dialysis, limiting NHPL's occupancy to some extent.

High geographical concentration – The company has a high reliance on its Bengaluru facilities, which contributed ~65.0% and ~69.0% to its operating income in FY2024 and 10M FY2025, respectively. Further, the top two specialities, urology (40.8% of FY2024 revenues) and nephrology (33.1%) accounted for 73.9% of revenues in FY2024 and 85.8% in 10M FY2025. However, NHPL is a super-speciality tertiary hospital chain and offers several specialised services in these two specialities and reproductive medicine, focusing on the treatment of male reproductive issues, which is a subset of the urology segment.

Retention of doctors to remain a key challenge – The company competes with various super-speciality and multi-speciality hospitals. Retention of doctors remains a key challenge due to intense competition. However, the niche position of the company's hospitals in nephrology and urology helps it mitigate the competition to an extent. Moreover, the company's hospitals abide by the regulations of various Government agencies.

Liquidity position: Adequate

The company's liquidity position is adequate with cash and liquid investments of Rs. 14.2 crore and buffer in the form of undrawn working capital lines of Rs. 6.4 crore as on January 31, 2025. The company's average working capital utilisation stood at ~53% of the sanctioned limits for the 12-month period ending in January 2025. The timing and quantum of balance receivables from its Maldivian operations will remain a key monitorable for the company. The repayments for FY2026 and FY2027 stand at ~Rs. 1 crore and Rs. 1.4 crore, respectively. ICRA expects the company to fund its upcoming capex through a mix of debt and internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade NHPL's ratings if there is a sustained improvement in the scale of operations with enhanced occupancies and ARPOB for the new hospitals while maintaining healthy margins and comfortable debt metrics in addition to a material reduction in the receivables position of the company.

Negative factors – Pressure on NHPL's ratings may arise if there is a further material build-up of receivables or if there is any significant weakening in the operational performance of its hospitals, leading to adverse effects on its accruals, debt metrics or liquidity profile. Any significant debt-funded capex would create pressure on the company's ratings. A specific credit metric for a downgrade includes DSCR below 1.6 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Hospitals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of NHPL

About the company

NU Hospitals was incorporated in 2006 in Bengaluru, which operates in the healthcare service sector. Originally established as a hospital in Padmanabhanagar in 1999, it transitioned into a private limited company in 2006. The company operates four hospitals in India with a total bed capacity of 218 in Karnataka and Tamil Nadu. It also offers services in the nephrology and urology departments at Indira Gandhi Memorial Hospital (IGMH) in Male, Maldives, and receives a share of revenues from out-patient consultation and in-patient procedures conducted in these departments.

Key financial indicators (audited)

	FY2023	FY2024	H1 FY2025*
Operating income	140.4	168.6	71.6
PAT	14.1	25.0	11.7
OPBDIT/OI	17.3%	22.2%	25.3%
PAT/OI	10.0%	14.8%	16.4%
Total outside liabilities/Tangible net worth (times)	1.0	0.8	0.6
Total debt/OPBDIT (times)	0.8	0.5	0.4
Interest coverage (times)	13.1	23.5	22.1

*Source: Company, ICRA Research; * Provisional numbers; 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 rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Apr 08, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	17.72	[ICRA]BBB- (Stable)	-	-	Feb 12, 2024	[ICRA]BBB (Stable)	Dec 15, 2022	[ICRA]BBB (Positive)
Cash Credit	Long term	10.00	[ICRA]BBB- (Stable)	-	-	Feb 12, 2024	[ICRA]BBB (Stable)	Dec 15, 2022	[ICRA]BBB (Positive)
Unallocated	Long term	7.34	[ICRA]BBB- (Stable)	-	-	Feb 12, 2024	[ICRA]BBB (Stable)	Dec 15, 2022	[ICRA]BBB (Positive)
Interchangeable	Short term	(5.00)	[ICRA]A3	-	-	Feb 12, 2024	[ICRA]A3+	Dec 15, 2022	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based/Term loans	Simple
Long-term–Fund-based/Cash credit	Simple
Long term – unallocated	Not applicable
Short term – Interchangeable	Very 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 loans**	FY2017	NA	FY2030	17.72	[ICRA]BBB- (Stable)
NA	**Cash credit**	NA	9.95%	NA	10.00	[ICRA]BBB- (Stable)
NA	**Unallocated**	NA	NA	NA	7.34	[ICRA]BBB- (Stable)
NA	**Interchangeable**	NA	NA	NA	(5.00)	[ICRA]A3

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	NHPL ownership	Consolidation approach
Darius Healthcare and Management services Pvt Ltd	100.00%	Full consolidation
NU Hospitals (Mauritius) Limited	100.00%	Full consolidation
NU Hospitals Private Limited (Mauritius)	100.00%	Full consolidation

Source: Company annual report FY2024

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