April 08, 2025

Hyderabad Institute of Oncology Private Limited: Ratings reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	25.90	42.30	[ICRA]A- (Stable); reaffirmed; removed from Watch with Developing Implications; Stable outlook assigned
Long term fund based/ Cash Credit	15.00	25.00	[ICRA]A- (Stable); reaffirmed; removed from Watch with Developing Implications; Stable outlook assigned
Long Term - Unallocated	26.80	0.40	[ICRA]A- (Stable); reaffirmed; removed from Watch with Developing Implications; Stable outlook assigned
Total	**67.70**	**67.70**	

**Instrument details are provided in Annexure I*

Rationale

In January 2024, ICRA had placed the rating on Hyderabad Institute of Oncology Private Limited (HIOPL) on 'Watch with Developing Implications' following the proposed merger of Haragovind Enterprises Private Limited (HEPL) with HIOPL and limited clarity on its impact on the overall credit profile. The Watch has been removed at present, given the material progress on the proposed merger, however, NCLT's approval for the merger is still awaited. Following the same, ICRA has revised its analytical approach to the consolidated credit profile of HIOPL and HEPL against the standalone credit profile assessed earlier. The combined entity had capacity of 986 beds (compared to 460 beds in HIOPL) as on March 31, 2024, spread across Telangana, Andhra Pradesh, Madhya Pradesh and New Delhi. The company's revenue (consolidated) recorded a healthy growth of 19.5% in FY2024 on the back of strong growth in average revenue per occupied bed day (ARPOB), addition of 56 beds, and increased footfalls. Higher ARPOB and increased scale of operations led to an improvement in the operating margin to 29.2% in FY2024 from 21.8% in FY2023.

The entity received equity infusion of Rs. 460 crore in two tranches in 9M FY2025 from PE investor, Morgan Stanley PE Asia, for a 23% stake while the rest of the shareholding is with the promoters. The infused equity is expected to be utilised towards capacity expansion. The company added 1,045 beds in 11M FY2025 through multiple acquisitions in Surat, Vijayawada and Hyderabad, and launch of greenfield hospitals in Latur, Gulbarga and Tirupati, taking the total bed capacity to 2,031 as on February 28, 2025. The capacity expansion is expected to drive revenue growth, going forward, while ARPOBs and margins are expected to moderate, given the initial stages of operation of a sizeable bed capacity. While most of the expansion is expected to be funded through equity in the near term, increase in lease liabilities owing to asset-light model adopted by the company is likely to increase the debt levels, thus affecting the debt metrics in FY2025. However, the debt metrics are expected to improve in FY2026 with recovery in DSCR to over 2.0 times and improvement in Total debt / OPBITDA to 3.0-3.5 times. The established brand name of Omega Hospitals in the key markets of Telangana and Andhra Pradesh and extensive experience of the promoters in the healthcare industry continue to be key positives.

The rating, however, is constrained by the company's high working capital intensity as it derives a significant share (35%) of its revenues from empanelment, with cash and insurance accounting for ~65% of the company's revenues. Moreover, given the aggressive expansion plans, the company's ability to successfully scale up new capacity while maintaining healthy margins remains critical for improvement in its financial profile. ICRA notes that the company has high segment concentration as it derives ~90% of its revenues from oncology. However, its revenue base is expected to diversify in the medium term because of the new multi-speciality hospitals added. The rating also considers the intense competition in the healthcare sector. This apart, restrictive pricing regulations by the Central and state governments could constrain the profit margins.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that the company will record a healthy growth in revenues and earnings on the back of addition of sizeable operational bed capacity, improving its debt metrics.

Key rating drivers and their description

Credit strengths

Established brand name of Omega Hospitals – HIOPL started operating its hospital under the Omega brand in Hyderabad in 2011 and established itself as a quality healthcare provider for oncology-related cases. The Group expanded its presence under the Omega brand to other cities and towns in Telangana and Andhra Pradesh and enjoys a healthy reputation in these markets. The company is promoted by Dr. Mohan Vamsy, a reputed doctor in Andhra Pradesh and Telangana for oncology with more than 20 years of experience in the field. The established brand name of Omega Hospitals in key markets of Telangana and Andhra Pradesh and extensive experience of the promoters in the healthcare industry continue to be key positives.

The combined entity (HIOPL and HEPL) had a capacity of 986 beds (compared to 460 beds in HIOPL) as on March 31, 2024 spread across Telangana, Andhra Pradesh and New Delhi. The company's revenue (consolidated) recorded a healthy revenue growth of 19.5% in FY2024 on the back of a healthy growth in ARPOB, and increased footfalls. Higher ARPOB and increased scale of operations also led to an improvement in the operating margin to 29.2% in FY2024 from 21.8% in FY2023.

Sizeable equity infusion to support growth in the medium term – The company has raised Rs. 460 crore equity from PE investor, Morgan Stanley PE Asia, in 9M FY2025, which would be largely utilised to fund its expansion plans. The company has also used these funds to prepay certain loans, apart from funding expansion. The company added 1000-1050 beds in 11M FY2025 and is expected to add 1,000-1100 beds in FY2026, partly funded by the infused equity, which is expected to fuel growth in the near-to-medium term.

Credit challenges

High working capital intensity – The company's operations are working capital intensive as it derives a significant share (~35%) of its revenues from empanelment, where the receivables are normally stretched. This results in high working capital requirements. Around 14% of the company's receivables as on March 31, 2024 was due for more than 180 days. ICRA also notes that the company had to make sizeable provisions / write off receivables in the past.

Aggressive expansion plans; timely ramp-up of the new capacities remains monitorable – The company has increased its capacity to 2,031 beds as on February 28, 2025 from 986 beds as on March 31, 2024, driven by multiple inorganic expansions across Surat, Vijayawada and new hospitals launched in Tirupati, Latur and Gulbarga. A sizeable part of these expansion has been funded through Rs. 460-crore equity infused in FY2025. The company is expected to continue to add 800-100 beds per annum in FY2026 and FY2027. Given the sizeable scale-up in capacity, timely and successful ramp-up of operations in the new hospitals remains crucial to maintain the company's profitability and earnings profile. It has high segment concentration as ~90% of FY2025 revenues are likely to be derived from the oncology segment. However, new acquisitions include multi-specialty hospitals, which are expected to aid the company in diversifying its revenue base in the medium term. While most of the expansion cost is expected to be funded through equity in the near term, increase in lease liabilities owing to asset-light model adopted by the company is likely to result in increase in debt level, thus affecting debt metrics in FY2025. However, the debt metrics are likely to improve in FY2026 with recovery in DSCR to over 2.0 times and improvement in Total debt/OPBITDA to 3.0-3.5 times.

Exposed to regulatory risks – Regulatory risks in terms of restrictive pricing levied by government organisations could constrain the profit margins of the healthcare industry and, consequently, the company, going forward.

Liquidity position: Adequate

HIOPL's liquidity position is adequate, given the cash and bank balances of ~Rs. 241 crore and a buffer of Rs. 8 crore in working capital limits as on December 31, 2024. The company is expected to generate healthy retained cash flows of Rs. 120-140 crore in FY2026. Against these sources of funds, it has repayment obligations of Rs. 30-35 crore and capex plans of Rs. 250-350 crore in FY2026.

Rating sensitivities

Positive factors – ICRA could upgrade HIOPL's rating if a successful ramp-up of new capacities results in improved scale of operations while maintaining healthy profit margins, leading to improved debt metrics.

Negative factors – The rating may witness pressure if a material delay in the ramp-up of new capacities impacts the company's earnings or debt metrics on a sustained basis. Any material debt-funded capex or investments, adversely impacting the company's debt metrics or liquidity position on a sustained basis, could also trigger a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Hospital
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has consolidated operational and financial profiles of Hyderabad Institute of Oncology Private Ltd. and Haragovind Enterprises Private Ltd. given the proposed merger of these two entities, which is in the advanced stage.

About the company

Hyderabad Institute of Oncology Private Limited (HIOPL), promoted by Dr. Mohana Vamsy, has been operating a 175-bed super specialty oncology hospital by the name, Omega Hospitals, in Banjara Hills, Hyderabad since FY2011. It started another oncology hospital in December 2023 in Hyderabad.

Haragovind Enterprises Private Ltd. (HEPL) is a promoter-owned entity, which acts as the holding company of the Group. It holds investments in HIOPL and multiple other entities, which operate hospitals in Telangana and Andhra Pradesh. As on March 31, 2024, its investee companies (including HIOPL) had a total capacity of 986 beds. The Group is in the process of merging HEPL with HIOPL with effect from April 1, 2023. The company is awaiting NCLT approval for the merger. In 9M FY2025, Morgan Stanley PE Asia invested Rs. 460 crore as equity in HIOPL for a 23% stake. The equity infusion is expected to be utilised towards capacity expansion. The Group's bed capacity increased to 2,031 as on February 28, 2025 following several inorganic expansions and after a couple of greenfield projects became operational.

Key financial indicators (audited)

HIOPL (Consolidated)	FY2023	FY2024
Operating income	520.9	622.4
PAT	7.0	36.5
OPBDIT/OI	21.8%	29.2%
PAT/OI	1.4%	5.9%
Total outside liabilities/Tangible net worth (times)	2.5	2.7
Total debt/OPBDIT (times)	4.7	3.2
Interest coverage (times)	2.6	3.2

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 rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	April 08, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long term	42.3	[ICRA]A-(Stable)	-	-	Jan 22, 2024	[ICRA]A-; Rating Watch with Developing Implications	Oct 28, 2022	[ICRA]A-(Stable)
Fund based- Cash Credit	Long Term	25.00	[ICRA]A-(Stable)	-	-	Jan 22, 2024	[ICRA]A-; Rating Watch with Developing Implications	Oct 28, 2022	[ICRA]A-(Stable)
Unallocated	Long Term	0.4	[ICRA]A-(Stable)	-	-	Jan 22, 2024	[ICRA]A-; Rating Watch with Developing Implications	Oct 28, 2022	[ICRA]A-(Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long term fund based/ Cash Credit	Simple
Long Term – Unallocated	NA

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**	NA	NA	NA	42.3	[ICRA]A- (Stable)
NA	**Cash Credit**	NA	NA	NA	25.00	[ICRA]A- (Stable)
NA	**Unallocated**	NA	NA	NA	0.4	[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	HEPL Ownership	Consolidation approach
Kurnool Institute of Oncology Private Ltd	63.47%	Full consolidation
Guntur Institute of Oncology Private Ltd	80.00%	Full consolidation
Kakatiya Institute of Oncology Private Ltd	67.93%	Full consolidation
Satavahana Institute of Oncology Private Ltd.	99.00%	Full consolidation
Omega Century Institute of Oncology Private Ltd.	90.00%	Full consolidation
Oncochain Healthcare Services Private Ltd.	99.90%	Full consolidation
Bhimavaram Institute of Oncology Private Ltd.	51.00%	Full consolidation
De Vita Bio Life Sciences LLP	98.00%	Full consolidation
Vizag Specialty Hospitals	80.00%	Full consolidation
Sri Lakshmi Venkateswara Institute of Oncology Private Ltd.	64.00%	Full consolidation

Source: Company Data

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