

August 28, 2025

Kondapur Healthcare Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based – Term loan	125.00	275.00	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced limits
Total	125.00	275.00	

*Instrument details are provided in Annexure-I

Rationale

The rating action reflects Kondapur Healthcare Limited's (KHL) strong tenant profile with pre-leasing of 100% for its under-construction commercial property. KHL is developing a commercial property comprising 15 floors, 4 cellars and a ground floor with a total built-up area of 8.8 lakh square feet (sft) and a leasable area of 6.9 lakh sft in Kondapur, Hyderabad, which is a key business hub in the city. It entered into a lease agreement with KIMS Hospital Enterprises Private Limited (KHEPL) for a period of 10 years, which is extendable by another 15 years. KHEPL is a 90.7% subsidiary of Krishna Institute of Medical Sciences Limited (KIMS) and holds a 38.5% stake in KHL. The rating draws comfort from the long tenor of the lease and the strategic importance of the property to KHEPL's operations and its expansion plans. The rating continues to be supported by KHL's robust financial flexibility, underpinned by its association with the KIMS Group.

The project cost is estimated to be Rs. 511.0 crore, from which Rs. 485.0 crore (around 95%) has been incurred as on May 31, 2025. This incurred expenditure was funded through Rs. 199.3 crore equity, Rs. 255.0 crore in term loans and the rest through unsecured loans from KHEPL. The construction timeline has been extended by six months. The project is now expected to be operational from April 2026, as against the earlier estimate of October 2025. Upon completion, KHEPL will operate a 900-bed hospital within the leased premises, an increase from the initially planned establishment of 750 beds.

The rating is, however, constrained by execution risks, given the construction stage of the project. ICRA notes that timely infusion of unsecured loans from KHEPL remains critical to meet the interest and principal repayment obligations during the construction phase. The earlier rental agreement stipulated rental payments even during the construction phase. However, according to the current lease agreement, rentals are expected to start after the commencement of operations. The rating is also constrained by KHL's moderate coverage metrics, with a 5-year average DSCR of 1.17-1.18 times (FY2027-FY2031).

The Stable outlook on the rating reflects ICRA's expectation that the company will be able to implement rental escalations, as per the contractual terms throughout the lease tenure, supported by the project's strategic location, which is likely to contribute to an improvement in KHL's debt protection metrics.

Key rating drivers and their description

Credit strengths

Long tenor of the lease agreement with lock-in period of 10 years – KHL entered into a lease agreement for a period of 10 years, which is extendable by another 15 years. The loan availed for construction has a tenure of 10 years. Hence, the lease agreement covers the entire tenure of the term loan, largely mitigating the market risk.

Strong counterparty and strategically important asset to the counterparty – At present, KHEPL is operating a 250-bed facility in Kondapur, Hyderabad, from a leased premise and plans to expand its capacity to around 900 beds. Business linkages between KHL and KHEPL are strong, as KHL’s assets are critical for KHEPL’s expansion plans. Moreover, KHEPL holds a 38.5% stake in KHL as on March 31, 2025. Additionally, KHEPL has been infusing unsecured loans in KHL for it to meet the principal and interest obligations during the construction period. KHL’s rating draws comfort from the healthy credit profile of the KIMS Group and KHEPL, as well as the importance of the asset to the expansion plans of KHEPL. Moreover, KHL has a strong financial flexibility, given the long tenor of the loan and the promoters’ extended association with the KIMS Group.

Credit challenges

Execution risks given the construction stage of the project – KHL has procured land for the project, and construction work is underway. Any delay in construction would defer the handover of assets to KHEPL, which could increase the project cost. Moreover, the company is exposed to increases in other input costs, which would impact the construction cost. ICRA notes that as on May 31, 2025, around 95% of the project cost has been incurred. However, project construction is expected to be delayed by six months with a revised expected date of commencement of April 01, 2026 (against earlier expectation of October 2025). Nevertheless, the same is unlikely to result in any cost escalation. KHEPL would be infusing funds to support the debt obligations during the period.

Moderate coverage metrics – The company’s coverage metrics are expected to moderate with a 5-year average DSCR of 1.17-1.18 times for the FY2027-FY2031 period. KHEPL is expected to extend funding support to KHL in case of any shortfall, as KHL’s assets are critical for the former.

Liquidity position: Adequate

KHL’s liquidity is adequate. The company has tied up funding for building construction, and as on May 31, 2025, it had yet to draw down around Rs. 20-25 crore of term debt against the incremental capex obligation of around Rs. 26.0 crore. Further, KHL had around Rs. 3.0 crore in cash and bank balances as on July 31, 2025. KHEPL would be infusing equity / unsecured loans to fund the interest and principal repayment obligations during the construction phase.

Rating sensitivities

Positive factors – ICRA could upgrade KHL’s rating if the company completes the construction of the project in a timely manner without any time or cost overruns, leading to the timely commencement of lease rentals, and if there is an improvement in its coverage metrics.

Negative factors – Any significant cost overruns or unforeseen delays in project completion, impacting the operations of the proposed hospital or delays in lease rental commencements affecting the debt metrics, could negatively impact the rating. Any delay in funding from KHEPL would also exert pressure on KHL’s rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone financials of KHL have been considered for arriving at the rating

About the company

KHL was incorporated in June 2021 by a group of KIMS employees. Subsequently, KHEPL acquired a 38.5% stake in the company. KHL is constructing a commercial property in Kondapur, Hyderabad, on a land parcel of 2.38 acres with a leasable area of 6.94 lakh sq. ft. The company has acquired the land to develop the project. KHL entered into a lease agreement for a period of 10 years, which is extendable by another 15 years, with KHEPL for the entire leasable area. The project scope has been revised, wherein KHL would now be constructing a building with 15 floors, 4 cellars and a ground floor (against 13 floors, 4 cellars and a ground floor earlier), which led to an increase in the leasable area by ~0.84 lakh sq. ft. to ~6.94 lakh sq. ft.

Key financial indicators (audited/Provisional)

KHL	FY2024	FY2025*
Operating income	2.8	-
PAT	3.2	0.1
OPBDIT/OI	61.5%	-
PAT/OI	115.6%	-
Total outside liabilities/Tangible net worth (times)	0.6	1.4
Total debt/OPBDIT (times)	64.3	-
Interest coverage (times)	-	-

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation; Amount in Rs. crore, *provisional numbers
Note: All financial ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current year (FY2026)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	275.00	Aug 28, 2025	[ICRA]BBB+ (Stable)	Nov 29, 2024	[ICRA]BBB+ (Stable)	Aug 31, 2023	[ICRA]BBB (Stable)	May 23, 2022	[ICRA]BBB (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
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	Term Loan	FY2022	NA	FY2036	275.00	[ICRA]BBB+ (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 – Not Applicable

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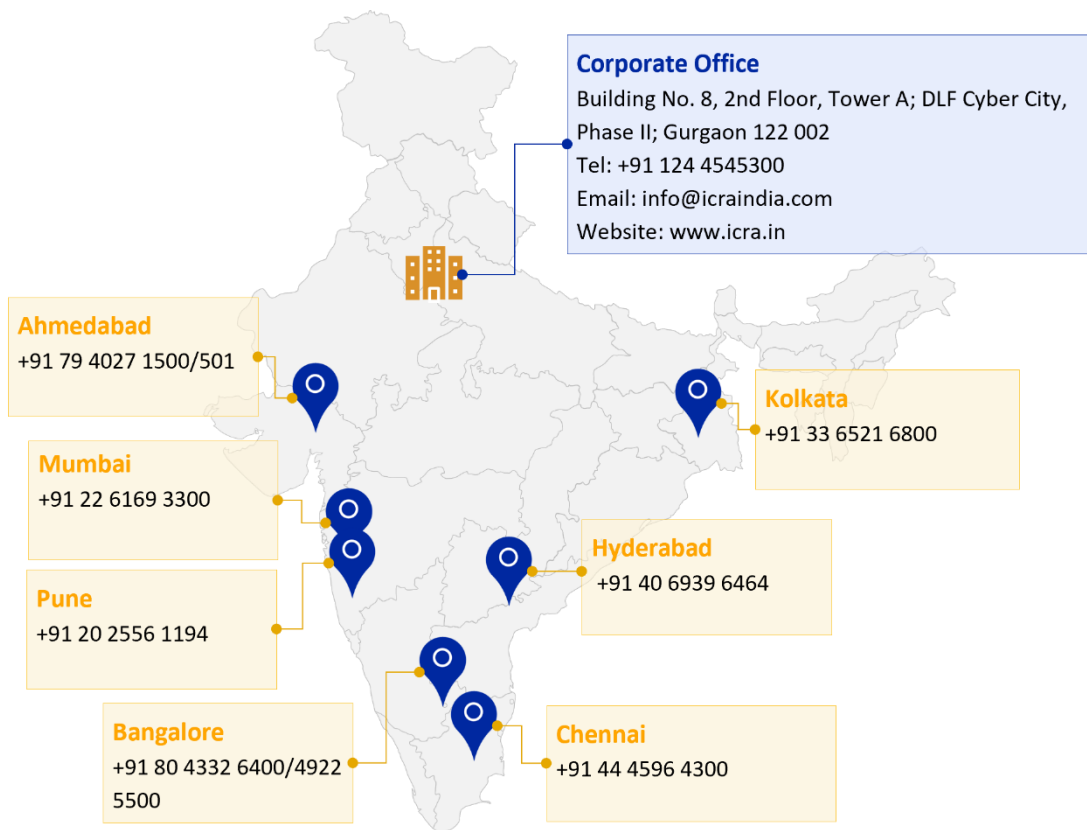
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