September 20, 2024

Ref:- GHL/2024-25/EXCH/68

The General Manager
Dept. of Corporate Services
BSE Limited,
P J Towers, Dalal Street,
Mumbai - 400 001

Scrip Code: 543654

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

Symbol: MEDANTA

Sub: Intimation for Credit Rating

Dear Sir(s),

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that CRISIL Ratings has revised the credit rating outlook of the Company as under:

Total Bank Loan Facilities Rated	**Rs. 500 Crore**
Long Term Rating	**CRISIL AA-/Positive (Outlook revised from 'Stable', Rating Reaffirmed)**
Short-term rating	**CRISIL A1+ (Reaffirmed)**

The credit rating letter issued by CRISIL Ratings is attached as Exhibit.

Kindly take the above on record.

For Global Health Limited

RAHUL RANJAN Digitally signed by RAHUL RANJAN Date: 2024.09.20 15:53:08 +05'30'

Rahul Ranjan
Company Secretary & Compliance Officer
M. No. A17035

Encl:a/a

CRISIL
Ratings

Rating Rationale

September 19, 2024 | Mumbai

Global Health Limited

Rating outlook revised to 'Positive'; Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.500 Crore**
Long Term Rating	**CRISIL AA-/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its outlook on the long term rating on the bank facilities of Global Health Limited (GHL) to **'Positive'** from 'Stable' while reaffirming the rating at **'CRISIL AA-'**. The short term rating has been reaffirmed at 'CRISIL A1+'.

The outlook revision factors in expected sustenance of the steady improvement in GHL's established and strong business risk profile, and healthy financial profile over the medium term despite planned sizeable capital spend for expansion.

In fiscal 2024, overall improvement in GHL's operating performance was driven by the flagship hospital, 'Medanta' at Gurugram (housed in GHL) and faster-than-expected ramp-up of operations in the Lucknow (Uttar Pradesh) hospital (housed in Medanta Holdings Pvt Ltd [MHPL; 'CRISIL A+/Watch Positive/CRISIL A1/Watch Positive']), and the Patna (Bihar) hospital (housed in Global Health Patliputra Pvt Ltd [GHPPL; 'CRISIL A+/Positive/CRISIL A1'). The improvement in the financial risk profile was driven by healthy cash generation and earlier from proceeds from initial public offering, which were used to prepay of external debt at MHPL and GHPPL. The financial risk profile is expected to remain healthy, even as GHL pursues partly debt funded expansion over the medium term.

On consolidated basis, revenue grew 21% to Rs 3,278 crore in fiscal 2024 (from Rs 2,712 crore in fiscal 2023), driven by higher inpatient volumes, changes in specialty mix towards higher value specialties leading to better average revenue per occupied bed (ARPOB, reported at Rs 61,890 in fiscal 2024 against Rs 59,098 in fiscal 2023) as well as better scale up of the Lucknow and Patna hospitals (combined revenue contribution of Rs 987 crore in fiscal 2024 against Rs 740 crore in fiscal 2023). Occupancy increased to 61.6% in fiscal 2024 against 58.8% in fiscal 2023 driven by improvement in in-patient volumes predominantly in the matured hospitals of GHL(mature hospital includes Gurugram, Indore and Ranchi facilities)where occupancy increased to 62% from 58% in fiscal 2023 while that of Lucknow and Patna hospital remained flat at around 60%. Improvement in revenues along with consequent benefits of operating leverage, resulted in improvement in operating margin of 24.9% in fiscal 2024 against 23.6% in fiscal 2023. Patna hospital, in the second year of its operations, registered an improvement in operating margin to 23.5% in fiscal 2024 against 9.8% in fiscal 2023 supported by better occupancy.

GHL incorporated a wholly owned subsidiary, GHL Pharma and Diagnostic Pvt Ltd (GHPDPL), w.e.f. June 29, 2022. The company has expanded its footprint and has set up 8 diagnostic labs with 100+ collection centres. GHPDPL recorded operational losses of Rs 10 crores in fiscal 2024 due to initial stage of operations in diagnostic business. GHL proposes to move its outpatient pharmacy business to this entity which will help fund the expansion plans of diagnostic business. This, although moderate in scale, will add to revenue diversification.

In the first quarter of fiscal 2025, the revenues witnessed an improvement of 11% year-on-year driven by improvement in inpatient volumes owing to bed expansion, improvement in ARPOB sustenance of occupancy levels on y-o-y basis. Better performance of the flagship hospital offset the moderation in performance of the Lucknow hospital due to increasing competitive intensity and seasonal factors. The occupancy of matured hospitals of GHL improved to 63% in the first quarter of fiscal 2025 against 60% in the corresponding period last fiscal. Operating profitability in the first quarter of fiscal 2025 moderated by 200 bps to 22.2% primarily due to moderation in operating profitability in Lucknow hospital while Patna and Gurugram hospital sustained its profitability.

At a consolidated level, GHL's revenues are expected to grow by 10-12% in fiscal 2025 supported by bed additions, sustenance of occupancy levels at overall level and improvement in ARPOB due to change in case mix. Operating profitability is expected to sustain at 22-24% despite the moderation expected in Lucknow hospital due to better profitability in other hospitals, although pre-operative expenses towards bed additions at existing hospitals and commencement of the hospital at Noida expected towards the end of fiscal 2025 might partly constrain the profitability.

The financial risk profile is supported by strong capital structure, healthy debt protection metrics and liquidity. Consolidated adjusted net worth stood at Rs 2,900 crore and debt (including lease liabilities) at Rs 802 crore as on March 31, 2024, with gearing at 0.28 time. GHL has planned capital expenditure (capex) of more than Rs ~2500 crore over the next three to five fiscals, for setting up a greenfield hospital in Noida (Rs 600-700 crore), bed addition and expansion of specialties at existing hospitals at Patna and Lucknow (Rs 150-200 crore), new hospitals at Mumbai, South Delhi and Indore. In addition, GHL will also be building a residential complex at its flagship hospital to help outstation patients stay at the premises. Further, GHL has also set up a wholly owned subsidiary which will be building and operating a medical college in Gurugram. The above projects except Noida and bed expansion in Lucknow and Patna, are planned to be implemented over a period of 3-5 years. The capex will be funded through a prudent mix of cash accrual and debt. Even though the company may avail of external debt, gearing is expected below 0.5 time over the medium term.

The ratings continue to reflect the experienced management of GHL in therapeutic segments and healthy financial risk profile. These strengths are partially offset by risks related to implementation and timely stabilisation of upcoming hospitals, geographic and therapeutic segmental concentration in revenue and exposure to intense competition.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of GHL and its wholly owned subsidiaries, MHPL, GHPPL and GHPDPL. These entities are collectively referred to herein as GHL.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position:** Through its network of 5 hospitals under the Medanta Hospital brand, the group has an established presence in the National Capital Region (NCR) and East India. The group also has a long operational track record of over 15 years in the tertiary and the quaternary healthcare segments and benefits from the strong brand reputation and the extensive experience of the promoter, Dr Naresh Trehan in the healthcare industry. The group, with a combined bed capacity of more than 2800 beds as of June 2024, is one of the leading players in the tertiary care segment in NCR and East India. GHL has plans to increase the number of beds to around 5000 beds primarily in the adjacent geographies of existing hospitals over the medium term, as well in newer markets in Western India, which will further enhance its market position.

  The group's flagship hospital in Gurugram is one of the largest single location hospitals with ~1,400 beds, offering multi-specialties. The revenues are well diversified across specialties with no specialty contributing more than 25% of the revenues. Cardio treatments account for the highest share of revenues at ~23%, followed by Oncology at 12%, neurosciences and gastric sciences at ~11% each. The balance is spread across Urology, Ortho, Liver transplant and others.

  Dependence on the flagship Gurugram hospital (Medanta Medicity) is decreasing, with ramp-up of operations at the Lucknow and Patna hospitals. The Lucknow hospital achieved operational break-even in fiscal 2022, recorded 49% growth in revenue to Rs 568 crore in fiscal 2023. Revenues further grew by 22% to Rs 698 crore in fiscal 2024, aided by improvement in occupancy, steady bed additions and increase in ARPOB.

  Operating margin has improved by 100 bps to 36% for MHPL in fiscal 2024. Further, the Patna hospital achieved breakeven in fiscal 2023, its first full year of operations as well and revenues registered an improvement of 70% in fiscal 2024. Supported by improvement in performance across hospitals, operating profitability improved to 24% in fiscal 2024 and expected to sustain at 22-24% over the medium term, with some moderation expectation with addition of new beds.

- **Experienced management and healthy operating efficiencies:** GHL benefits from the stewardship of Dr Naresh Trehan, one of the leading cardiac surgeons in India. Dr Trehan was instrumental in the establishment and management of Escorts Heart Institute & Research Centre (Escorts). His two decades at the helm of Escorts were spent in pioneering initiatives for the development of healthcare delivery in India and research in cardiology. Also, the hospital has prominent doctors heading other therapeutic departments, such as orthopaedics, gastroenterology, neurology, and oncology, resulting in an established patient base. Revenue grew at compound annual rate of over 12% between fiscals 2014 and 2024, supported by industry-leading revenue/bed rate, good occupancy and strong reputation.

Despite the bed additions and commencement of operations in new hospitals, GHL has sustained its operating profitability above 20% over the past 3 fiscals. Over the medium term, despite the bed additions planned, operating profitability will sustain at 22-24% supported by sustenance of occupancy and growth in ARPOB. Healthy profitability and increasing occupancy levels, have enabled steady improvement in the group’s return on capital employed (RoCE), which stood at around 19.5% fiscal 2024, compared with 13-16% in earlier years. The RoCE will moderate in the near to medium term due to aggressive capex and initial losses in new hospitals but will continue to remain at above 15%.

- **Healthy financial risk profile:** Financial risk profile is supported by a well-managed balance sheet, supported by IPO proceeds in fiscal 2022, resulting in comfortable debt metrics. Management philosophy is also to maintain gearing within 1 time, notwithstanding capex plans, which is happening across private hospitals, given the shortage of quality healthcare.

  Net cash accrual to total debt ratio stood at 0.82 time and interest coverage ratio at 10.5 times in fiscal 2024, against 0.41 time and 7.83 times, respectively, in fiscal 2023. Gross debt to earnings before interest, tax, depreciation and amortisation (Ebitda) ratio improved to 0.98 times in fiscal 2024 compared to 1.75 times in fiscal 2023.

  GHL’s capex plans of ~Rs 2500 crores over the next three to five fiscals will be funded by mix of debt, accruals and cash surpluses (Rs.1192 crore at March 31, 2024), as it seeks to take bed capacity to ~5000 beds. Besides, the company is also setting up a medical college at Gurugram. With debt addition, debt/EBITDA ratio will moderate but remain healthy at below 1.5 times. Cash surpluses too will moderate but will still remain sizeable at Rs.600-700 crores over the medium term. That said, any further sizeable organic or inorganic growth opportunities which may involve sizeable debt addition will remain a monitorable.

Weaknesses:

- **Revenue concentration risk and exposure to intense competition:** Geographic and segment concentration in revenue persists. Increase in beds in new hospitals has helped reduce concentration risk. Even though GHL has expanded operations to Lucknow and Patna, its flagship hospital will continue to be the key revenue and profitability driver over the medium term. This is because while the Lucknow hospital commenced operations in November 2019, the other hospitals in Ranchi and Indore are smaller and have modest occupancy. The contribution for Patna hospital is <10% of consolidated revenues at present. While company is also diversifying into Mumbai, contribution from the same is expected after 3-4 years.

  Although upcoming hospitals in New Delhi, National Capital Region and Uttar Pradesh will intensify competition in the healthcare space over the medium term, established hospitals, such as Medanta Medicity, are better placed to take on the competition, compared with mid-sized hospitals.

- **Exposure to risks related to implementation and timely stabilisation of operations** The company has sizeable capex planned for the medium term, for setting up greenfield hospitals in Noida and Mumbai, while expanding bed capacity to ~4500-5000 beds in the medium term. Besides, GHL is also setting up a medical college at Gurugram. Some of these markets already have well established players. Timely ramp-up and stabilisation of operations in the new hospitals will remain key monitorables.

  Both the Lucknow and Patna hospital achieved breakeven in the first year of its operations. Ability of GHL to set up and stabilise greenfield projects provides comfort in lieu of the new hospital in Noida. However, timely implementation without significant time and cost overruns will be a key monitorable.

- **Exposure to regulatory risk:** The government policy on capping prices for medical procedures such as treatment of Covid-19 and prices of medical devices such as coronary and knee implants, has impacted players in the healthcare sector. Such price control mechanisms have a direct bearing on the operating margin of players through reduction in revenue and affect inflow of premium patients (including medical tourism), who would prefer getting such procedures done abroad. Any policy change that may negatively impact the credit risk profile of the company will be closely monitored.

Liquidity: Strong

Cash accrual, expected at Rs 600-700 crore per annum over the medium term, will adequately cover yearly debt obligation of Rs 100-150 crore and part-funding of the sizeable capex. Liquidity is supported by healthy cash surplus of Rs 1,192 crore as on March 31, 2024. As surpluses will be partly being used to fund the sizeable capex, they will moderate from fiscal 2024 levels but still remain sizeable at Rs.600-700 crores.

Outlook: Positive

GHL will continue to benefit from higher bed count, stable occupancy and increased realisations over the medium term. The business risk profile will benefit from adequate revenue diversification from different multispecialty treatments, high ARPOBs and healthy operating efficiencies. The financial risk profile will also be supported by increase in operating cash flow and prudent expansion, which is being undertaken in a modular manner.

Rating sensitivity factors

Upward factors

- Sustaining healthy occupancies and ARPOBs at existing hospitals and successful implementation of capacity expansion and ramp up of operations at the new hospitals, ensuring healthy revenue growth, while maintaining operating margins at over 20%
- Continued prudent funding of expansion plans, leading to limited debt and strong debt protection metrics

Downward factors

- Slower than expected ramp up of revenues, including from new hospitals or due to intensifying competition, also leading to operating margins falling below 15-16% impacting overall cash accruals
- Further sizeable debt funded capex or any inorganic expansions leading to a significant moderation in debt protection metric
- Lower than expected cash surpluses

About the Company

GHL was established in 2004 by Dr Naresh Trehan. A world-class, super-specialty, tertiary-care hospital in Gurugram, Medanta Medicity commenced operations in November 2009, and has capacity of ~ 1,400 beds and ~40 operation theatres, besides state-of-the-art diagnostic and laboratory facilities.

In fiscal 2015, GHL entered an arrangement to manage a ~150-bed hospital each in Indore and Ranchi on a lease basis. The company also operates two hospitals at Lucknow and Patna under 100% subsidiaries named MHPL and GHPPL, respectively. The Lucknow hospital commenced operations in November 2019 and the Patna Hospital in the second half of fiscal 2022; the company is also setting up a greenfield hospital in Noida. GHL also incorporated a wholly owned subsidiary, GHPDPL, on June 29, 2022, and is proposing to move its outpatient pharmacy business to this entity and start diagnostic services in it.

Consolidated operational bed count stood at ~2,373 as on March 31, 2024.

Key Financial Indicators

As on/for the period ended March 31	Unity	2024	2023
Revenue	Rs crore	3278	2694
Profit after tax (PAT)	Rs crore	478	326
PAT margin	%	14.6	12.10
Adjusted debt/adjusted networth*	Times	0.14	0.35
Interest coverage	Times	10.49	7.83

**adjusted debt factors in lease liabilities*

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Working Capital Facility	NA	NA	NA	160.00	NA	CRISIL A1+
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	340.00	NA	CRISIL AA-/Positive

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation

MHPL	Full	Common management and promoters, same business, and business and financial linkages
GHPPL	Full	Common management and promoters, same business, and business and financial linkages
GHPDPL	Full	Common management and promoters, same business, and business and financial linkages

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT/ST	500.0	CRISIL AA-/Positive / CRISIL A1+		--	23-06-23	CRISIL A1+ / CRISIL AA-/Stable	27-12-22	CRISIL A1+ / CRISIL A+/Positive	24-09-21	CRISIL A1+ / CRISIL A+/Stable	CRISIL A+/Stable
			--		--		--	16-09-22	CRISIL A1+ / CRISIL A+/Positive	18-06-21	CRISIL A1+ / CRISIL A+/Stable	--
Non-Fund Based Facilities	ST		--		--	23-06-23	CRISIL A1+	27-12-22	CRISIL A1+	24-09-21	CRISIL A1+	--
			--		--		--	16-09-22	CRISIL A1+	18-06-21	CRISIL A1+	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	**340**	**Not Applicable**	**CRISIL AA-/Positive**
Working Capital Facility	**60**	**YES Bank Limited**	**CRISIL A1+**
Working Capital Facility	**50**	**HDFC Bank Limited**	**CRISIL A1+**
Working Capital Facility	**50**	**ICICI Bank Limited**	**CRISIL A1+**

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt

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