

No. CARE/DRO/RL/2021-22/2218

Shri Sanjiv Kumar Kothari
Chief Financial Officer
Artemis Medicare Services Limited
Corporate: Artemis Health Institute,
Sector 51,
Gurgaon
Haryana 122001

September 23, 2021

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY21 (Audited) and Q1FY22 (Provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating¹	Rating Action
Long Term Bank Facilities	280.48 (Enhanced from 271.87)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	40.00 (Reduced from 60.00)	CARE A-; Stable / CARE A2 (Single A Minus; Outlook: Stable / A Two)	Reaffirmed
Total Facilities	320.48 (Rs. Three Hundred Twenty Crore and Forty-Eight Lakhs Only)		

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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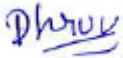
2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by September 24, 2021 we will proceed on the basis that you have no comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by “ISSUER NOT COOPERATING”. CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

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If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



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Assistant Director

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Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	HDFC Bank Ltd.	95.00	Repayable in half yearly instalments ending in FY26
2.	Axis Bank Ltd.	60.00	Repayable in half yearly instalments maturing in FY31
3.	IDFC First Bank Ltd.	42.80	Repayable in half yearly instalments maturing in FY30.
4.	HDFC Ltd.	27.67	Repayable in half yearly instalments ending in FY26
5.	HDFC Bank Ltd.	20.00	
6.	HDFC Bank Ltd.	14.58	
7.	HDFC Bank Ltd.	10.63	Moratorium period of 12 months and total repayment tenor of 60 months
8.	Axis Bank Ltd.	5.00	
9.	IDFC First Bank Ltd.	4.80	
	Total	280.48	

Total Long Term Facilities : Rs.280.48 crore

2. Long Term / Short Term Facilities

2.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	Axis Bank Ltd.	40.00	Repayable on demand.
	Total	40.00	

Total Long Term / Short Term Facilities : Rs.40.00 crore

Total Facilities (1.A+2.A) : Rs.320.48 crore

Annexure- 2

Press Release

Artemis Medicare Services Limited

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	280.48 (Enhanced from 271.87)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	40.00 (Reduced from 60.00)	CARE A-; Stable / CARE A2 (Single A Minus; Outlook: Stable/ A Two)	Reaffirmed
Total Bank Facilities	320.48 (Rs. Three Hundred Twenty Crore and Forty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Artemis Medicare Services Limited (AMSL) continues to take into consideration resourceful and reputed promoter, experienced management team and a qualified team of doctors and medical staff. The ratings also factor in comfortable capital structure of the company marked by low overall gearing and diversified revenue stream. However, the ratings are constrained by moderation in scale of operations during FY21 (refers to the period from April 01 to March 31), competition in the healthcare industry especially in the National Capital Region (NCR) which gets accentuated due to presence of AMSL at a single location, project execution and stabilization risk associated with the expansion project and regulatory risk associated with the industry.

Rating Sensitivities

Positive Factors- Factors that could lead to positive rating action/upgrade:

- Sustained improvement in income and profitability beyond Rs.650 crore and PBILDT margin above 17%.
- Timely completion of capex and sustained improvement in leverage leading to overall gearing below 0.50x.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Sustained decline in income and profitability below Rs.400.00 crore and PBILDT margin below 8%.
- Change in Management or effective control of promoter group.
- Further delay in project execution and scaling up of operations leading to overall gearing above 1.50x.

Detailed description of the key rating drivers

Key Rating Strengths

Established Track record and resourceful promoters: AMSL started its operation in 2007 and is established by the promoters of the Apollo Tyres Group. Mr. Onkar Kanwar, the chairman of AMSL is also the chairman of Apollo Tyres Ltd (ATL) and holds 69.80% stake in AMSL through an investment company. AMSL's board is represented by some of the Key Management

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Personnel of ATL and comprises independent directors from diverse industry sectors. AMSL has been awarded with the National Accreditation Board for Hospitals and Healthcare providers (NABH) accreditation.

Reputed management team & experienced doctors: Though AMSL is the maiden venture of the promoter in healthcare business, the operations of the company are well supported through group of professionals having extensive work experience in renowned hospitals like Max Healthcare, Fortis, Apollo, etc. Dr. Devlina Chakravarty (Managing Director) along with group of professionals looks after the day to day operations of the hospital. As on May 31, 2021, AMSL had a team of 413 doctors, 465 administrative employees, 693 nurses and 294 paramedical staff.

Comfortable financial risk profile: The capital structure at consolidated level remained comfortable as reflected by overall gearing of 0.70x as on March 31, 2021 (PY: 0.56x). The total debt outstanding as on March 31, 2021 majorly comprises of term loan to the tune of Rs.127.38 crore (86.84% of total debt). The debt coverage indicators although comfortable, deteriorated as reflected by the PBILDT interest coverage ratio of 2.93x (PY: 5.05x) and total debt/GCA of 6.86x (PY: 2.47x) during FY21 on account of decline in total operating income and the PBILDT margin.

Diversification of revenue streams: AMSL's revenue stream is well diversified on account of integrated facilities, with specialization in various segments including cardiology, neurology, gastroenterology, orthopedics, critical care, nephrology and oncology and many other specialties. The revenue stream of AMSL remained well diversified with no particular specialization contributing more than 10% to total revenue in FY21. Oncology and Cardiology were the highest revenue contributors for the hospital in FY21.

Key Rating weaknesses

Moderation in scale of operations and profitability margins in FY21: During FY21, the total operating income at consolidated level declined by 27.64% to Rs. 410.88 crore (PY: Rs.567.85 crore) on account of decline in occupancy rate from 81% in FY20 to 58% in FY21 due to lockdown imposed to control the spread of COVID-19 thus delaying the specialized treatment as well as OPD (Out-patient department) revenue. The PBILDT margin declined to 9.23% in FY21 (PY: 11.37%) on account of various reasons including decrease in share of revenue from International patients to 15% in FY21 (PY: 36%) and under-absorption of employee costs due to decline in total operating income in FY21. Consequently, the PAT margin at consolidated level declined to 1.50% in FY21 (PY: 3.43%). However, for the period Q1FY22 (refers to the period from April 01 to June 30), the total operating income at consolidated level grew by 94.42% to Rs.123.09 crore (PY: Rs.63.31 crore) driven by increase in occupancy rate from 37% in Q1FY21 to 71% in Q1FY22. Further, AMSL at consolidated level reported PBILDT margin of 11.22% in Q1FY22 as against operating loss in Q1FY21 due to increase in total operating income. The company at consolidated level achieved PAT margin of 3.04% in Q1FY22 as against net loss of Rs.11.77 crore in Q1FY21.

Project risk: The company is constructing a new hospital block at its existing location in Gurgaon hospital to add 144 beds (the same is expected to become fully operational from October, 2021 onwards) at an estimated cost of Rs.168.00 crore mainly pertaining to building and equipment. The project is proposed to be funded by a term loan of Rs.142.80 crore (sanctioned) and balance Rs.25.20 crore from internal accruals. Till June 30, 2021, AMSL had incurred cost of Rs. 99.34 crore funded by loan of Rs. 70.71 crore and the remaining Rs. 28.63 crore from internal accruals. Currently, 27 beds out of the total 144 beds are operational. The entire capex for the project is expected to be completed by end of FY22. Timely completion of the project without any significant cost overrun and generating healthy occupancy for the new facility would be critical for AMSL and will remain a key monitorable. The company is also constructing parking facilities & OPD (Outpatient department) which will cost Rs. 58.79 crore which shall be funded by term loan of Rs. 50.00 crore by HDFC bank (sanctioned) and the

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remaining Rs. 8.79 crore through internal accruals. Till June 30, 2021, the company had incurred capex of Rs.1.19 crore on the same.

Competition in the healthcare industry in the NCR region: NCR is home to some big private players in healthcare domain such as Fortis, Apollo, Max Healthcare etc. Moreover, Delhi being national capital has presence of decent number of government hospitals such as AIIMS, Safdarjung Hospital, Ram Manohar Lohia Hospital etc. as well. This leads to competition not only in acquiring patients, but also in attracting experienced staff.

Regulatory risks: AMSL operates in a regulated industry which has witnessed continuous regulatory intervention during past couple of years. Regulations such as capping of stent prices and knee implants and stricter compliance norms have adversely impacted the margin of the industry in past. Any such future regulation might have adverse impact on the group's profitability and thus would remain a key monitorable.

Industry Prospects: The growth in population, increase in lifestyle related diseases, rising purchasing power of the middle class and higher awareness of chronic illnesses will be the key growth drivers for the sector. With the Outbreak of Covid-19 profitability margins of the industry may remain under pressure due to drop in Outpatient footfalls, Elective surgeries and international patients. The increase in momentum of non-Covid treatments and elective surgeries which tend to provide better ARPOBs (Average revenue per occupied bed) on an average compared to the ARPOBs from Covid patients will support the industry growth in FY22. In addition to this, the healthcare industry is extending the services of e-consultations and other home care services that will also support their revenues. Moreover, international patients are also allowed to travel to India for medical treatments (though with certain conditions) and this will benefit healthcare units that have a fair share of international patients. Thus, the hospital and healthcare industry is expected to grow by about 10%-12% during FY22.

Liquidity: Adequate: The liquidity profile at consolidated level is adequate as reflected by scheduled repayment of term loan to the tune of Rs.22.14 crore in FY22 against projected gross cash accruals to the tune of Rs.56.34 crore in FY22. Further, the company at consolidated level had free cash and bank balance to the tune of Rs.31.12 crore as on March 31, 2021. The average utilization of working capital limits stood negligible at 0.04% for the trailing 12 months ended July, 2021. AMSL at consolidated level is projected to incur a capex of Rs.154.24 crore in FY22 (pertaining to the project of addition of 144 beds, parking and OPD construction, and opening of 4 Cath lab units in Ranchi, Lucknow, Gwalior, and Panipat under Artemis Cardiac Care Private Limited) which is proposed to be funded through term loans.

Analytical approach: Consolidated.

Artemis Cardiac Care Private Limited (ACCPL) is in similar line of business as AMSL with financial support from the parent company expected to increase in future due to which analytical approach has been changed from standalone to consolidated.

Applicable Criteria

Rating Methodology: Consolidation

Criteria on assigning Outlook and credit watch to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology for Hospital Sector Companies

Criteria for Short Term Instruments

Financial ratios – Non-Financial Sector

Liquidity analysis- Non- Financial Sector

Rating Methodology- Service Sector Companies

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About the Company

Incorporated on 2004, Artemis Medicare Services Ltd (AMSL) is engaged in healthcare business. AMSL owns and operates a 318-bedded multi-specialty tertiary care hospital in Gurgaon. The specialty areas for AMSL include Orthopedics & Joint Replacement (contributing 8% of the total FY21 revenue), Oncology (Cancer) (contributing 11% of the total FY21 revenue), Cardiovascular (Heart) (contributing 9% of the total FY21 revenue), Neurosciences (contributing 16% of the total FY21 revenue) and Bariatric & Minimally Invasive Surgery. AMSL has been awarded with the NABH accreditation (National Accreditation Board for Hospitals and Healthcare providers). As per the NCLT order dated September 30, 2019, the amalgamation of holding company of AMSL i.e. Artemis Global Life Sciences Limited (AGLSL) & Artemis Health Sciences Limited. (AHSL) into AMSL has taken place in order to simplify the group structure, business operation and eliminate cross holding within the group. Further, Mr. Onkar Kanwar (Chairman of AMSL) is also the chairman of Apollo Tyres Ltd. During FY19, AMSL has approved an investment in Artemis Cardiac Care Pvt. Ltd. (ACCPL) which is a Joint Venture with Philips Medical Systems B.V (35% shareholding). ACCPL is a subsidiary of the AMSL with 65% shareholding formed primarily for operating and setting up of Cath lab units in India.

Brief Financials (Rs. crore)	FY20* (A)	FY21* (A)
Total operating income	567.85	410.88
PBILDT	64.58	37.92
PAT	19.46	6.16
Overall gearing (times)	0.56	0.70
Interest coverage (times)	5.05	2.93

A: Audited, *: Consolidated

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	April, 2030	280.48	CARE A-; Stable
Fund-based - LT/ ST-Cash Credit	-	-	-	40.00	CARE A-; Stable / CARE A2

Annexure-2: Rating History of last three years

Name of the	Current Ratings	Rating history
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Sr. No.	Instrument/Bank Facilities	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Term Loan-Long Term	LT	280.48	CARE A-; Stable	-	1)CARE A-; Stable (07-Jul-20)	1)CARE A-; Stable (03-Jul-19)	1)CARE A-; Stable (24-Sep-18)
2.	Fund-based - LT/ST-Cash Credit	LT/ST	40.00	CARE A-; Stable / CARE A2	-	1)CARE A-; Stable / CARE A2 (07-Jul-20)	1)CARE A-; Stable / CARE A2 (03-Jul-19)	1)CARE A-; Stable / CARE A2 (24-Sep-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT/ ST-Cash Credit	Simple
2.	Term Loan-Long Term	Simple

Annexure 5: Bank Lender Details

[Click here to view Bank Lender Details](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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