

## Rating Rationale

September 12, 2025 | Mumbai

### Convenient Hospitals Limited

'Crisil AA-' assigned to Non Convertible Debentures; Placed on 'Watch Positive'

#### Rating Action

Total Bank Loan Facilities Rated	Rs.20 Crore
Short Term Rating	Crisil A1+ (Reaffirmed)

Rs.1765 Crore Non Convertible Debentures	Crisil AA-/Watch Positive (Assigned; Placed on 'Rating Watch with Positive Implications')
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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

Crisil Ratings has assigned its 'Crisil AA-' rating to the non-convertible debentures (NCDs) of Convenient Hospitals Limited (CHL; a part of the Care group) and placed it on 'Rating Watch with Positive Implications'. The rating on the short term bank facilities have been reaffirmed at 'Crisil A1+'.

The long-term ratings have been placed on watch in line with that of parent, Quality Care India Ltd (QCIL; 'Crisil AA-/Watch Positive/Crisil A1+', 100% shareholding in CHL). The ratings of CHL factors in strong operational, managerial, and financial support from QCIL. The ratings of CHL also factors in the established presence of CHL in Indore and strong operating profitability driven by healthy pricing, improving occupancy and better patient mix. These strengths are partially offset by CHL's susceptibility to intense competition in the healthcare industry, exposure to implementation risks of its greenfield capacity expansion and stabilisation of operations, as well as regulatory developments. Besides, moderation in the financial risk profile is also expected with the proposed NCD issuance.

In December 9, 2024, the long-term ratings of QCIL were placed on watch following announcement in the stock exchanges that QCIL and Aster DM Healthcare Limited (Aster DM) have signed a definitive agreement to merge, through a share swap arrangement, subject to approvals from shareholders, creditors and regulators. The merged entity will be renamed Aster DM Quality Care Ltd (ADQCL). The transaction is expected to be completed by the first quarter of fiscal 2027, post receipt of regulatory approvals.

Crisil Ratings will resolve the 'Rating watch' post receipt of necessary approvals and completion of necessary documentation for the merger, and receipt of necessary information from the management of ADQCL. Crisil Ratings believes that upon resolution of the Rating Watch, the ratings are likely to move in line with that of the parent, should ADQCL sustain its healthy business and financial risk profile.

CHL is expected to raise Rs. 1225 crores through issuance of non-convertible debentures (NCDs), which will be utilized towards stake acquisition in key subsidiaries of QCIL and for future merger and acquisition (M&A) opportunities. The NCDs is expected to have a tenure of 5 years with moratorium period of two and a half years. Around 94% of principal repayment will be due in the fifth year. CHL's operating profits is not expected to be adequate to meet the coupon and principal repayments relating to the NCD. However, as the NCD proceeds are likely to be used at group level, QCIL will ensure that the adequate funds are available to meet the debt obligations at CHL in a timely manner. QCIL has provided a corporate guarantee for the entire quantum of NCDs being raised. Post-merger, the corporate guarantee and support will continue to be provided to CHL from ADQCL.

CHL is a 200-bed multispecialty hospital in Indore, Madhya Pradesh, founded as Convenient Hospital in 2001 and was the first corporate hospital in central region of India. In June 2022, QCIL acquired 95% stake in CHL for Rs 380 crore and acquired the remaining 5% in April 2024. Consequently, CHL became a wholly owned subsidiary of QCIL and was renamed as CARE CHL Hospital, Indore. CHL has a wholly owned subsidiary, Heart Care Institute and Research Centre (Indore) Pvt Ltd (HIRC; Crisil A/Watch Positive'), and hence, HIRC is a step-down subsidiary of QCIL. At the time of acquisition, there were four entities, CHL, HIRC, Central India Pharmacy (CIP) and Convenient Imaging Solutions (CIS). Subsequently, through a slump sale, CIP merged with HIRC and CIS merged with CHL in June 2022. Furthermore, the CIP was again transferred to CHL in April 2023 on slump sale basis.

In fiscal 2025, revenues grew marginally to ~Rs 200 crore supported by stable occupancy rate (~80%) and healthy average revenue per occupied bed (ARPOB). CHL's clocked revenue of Rs 54 cr in first quarter of fiscal 2026, which is in line with the expectation of 8-10% revenue growth on consolidated basis over medium term, supported by rise in ARPOB and steady

bed occupancy rate. CHL's operating profitability improved to ~22% in fiscal 2025 (from 15.8% in fiscal 2024) on account of better treatment mix and steps taken to control fixed costs. During the first quarter of fiscal 2026, operating profitability remained healthy at ~21%, and is expected at ~21-23% in fiscal 2026. However, with commencement of operations at HIRC in fiscal 2027, operating margin is expected to marginally moderate during the stabilisation phase.

The company incurred Rs 30-35 crore towards maintenance capital expenditure (capex) in fiscal 2025 which was completely funded through internal accruals. However, capex is expected to significantly increase to Rs 150 crore in fiscal 2026 mainly towards construction of a new hospital under HIRC. The estimated budget towards construction of new hospital is Rs 209 crore, which will be funded through external loan of Rs 172.5 crore and equity infusion/interest-free unsecured loans from either QCIL or CHL. The financial risk profile is expected to moderate, especially the key debt protection metrics like Interest coverage ratio (Interest cover), and Total outside liabilities to tangible net worth (TOL/TNW). However, the term loan and NCDs have a moratorium period of three years and two and half years respectively and hence there will be no principal repayments till fiscal 2028 providing cushion on liquidity.

### **Analytical Approach**

Crisil Ratings has combined the credit risk profiles of CHL and its wholly owned subsidiary, HIRC, and have also factored in support from the parent (QCIL), considering that the entities are in the same business and has common treasury.

Crisil Ratings believes CHL will, in case of exigencies, receive distress support from its parent for timely repayment of debt, considering it carries out the business activities of the parent in Indore, Madhya Pradesh. Besides, QCIL has 100% shareholding in CHL, and these entities share the brand name, Care. CHL also receives operational and managerial support from the parent.

*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:**

**Strong managerial, operational and financial support from the parent:** QCIL, which holds 100% stake in CHL, is a well-known brand in the healthcare sector. The company has set up subsidiaries for expanding its presence across geographies. Each subsidiary acts as an arm for the group in a specific city. Its presence in the Indore market is through CHL, which operates a hospital with capacity of 200 beds. QCIL provides operational and managerial support to CHL. For the proposed NCDs, CHL will not be in a position to service the interest and principal obligations, given relative modest cash generating operations. QCIL has provided a guarantee for the NCD and has also undertaken to ensure funds are available with CHL to make timely debt servicing well ahead of due date.

**Established presence in Indore:** CHL was set up in 2001 and has a strong presence in Indore, Madhya Pradesh and was the first corporate hospital in central region of India. CHL is known for its strong clinical expertise in the fields of cardiology/cardiac surgery, neurosciences, gastroenterology, liver transplants, renal sciences and critical care.

**Healthy operating efficiency:** Operating profitability has improved over the past few years and is healthy at ~22% in fiscal 2025, supported by healthy occupancy and improvement in ARPOB. The operating profitability is expected to remain healthy at 21-23% over the medium term. Furthermore, improvement in ARPOB and maintenance of occupancy will help in sustaining operating profitability. The company has also taken steps to control fixed costs, which aims to reduce raw material cost.

#### **Weaknesses:**

**Average scale of operations and limited geographic diversity, with operations susceptible to intense competition and regulatory changes:** CHL operates a 200-bed hospital in Indore, which limits scale of operations. Sizeable improvement in operating profitability will be limited by intense competition and price-sensitive nature of target customers. The company, like other hospitals, remains exposed to regulations in the healthcare sector. Regulatory actions and their impact will remain monitorables.

**Exposure to implementation risks and timely stabilisation of operations:** The entity has sizeable capex planned over the medium term for expansion of capacity through construction of new hospitals under HIRC by fiscal 2027. Timely implementation, without significant time and cost overruns, and ramp-up of operations post commencement are critical.

**Moderate financial risk profile:** The company will raise Rs 1225 crore through issuance of NCDs. The funds being raised are sizeable relative to cash generated from operations. Besides, key debt protection metrics like interest cover and TOL/TNW, will see moderation to ~0.8 times and ~20 times from earlier levels of over ~6 times and ~1.5 times respectively. However, the company will retain over ~Rs 500 crores of cash, which will be utilized towards an outgo related to the end use of debentures.

#### **Liquidity: Strong**

Liquidity remains strong supported by expected timely support from parent, QCIL. At a standalone level, liquidity is moderate, and supported by expected improvement in cash surplus to around ~Rs 500 crore by end of fiscal 2026. Coupon payments on NCD will be funded by mix of operating profits and cash surplus in CHL, as well as funding support from QCIL. Furthermore, liquidity is supported by negative working capital and a sanctioned overdraft facility Rs 20 crore for anticipated rise in working capital requirement once the new hospital under HIRC starts operations; will provide additional cushion. These working capital limits were unutilised as on August 31, 2025.

#### **Rating sensitivity factors**

##### **Upward Factors:**

- Better than expected improvement in revenue growth and sustained operating margin of over 20-22%, benefitting cash generation.

- Improvement in financial risk profile and liquid surpluses.
- Improvement in the long-term credit rating or outlook relating to debt instruments of QCIL.

**Downward factors:**

- Downgrade in the rating on the debt facilities of QCIL or revision in outlook to 'Negative' or change in stance in extending support to CHL
- Sluggish revenue and decline in operating profitability (to 15-16%) owing to lower occupancy, impacting cash generation.
- Sizeable further debt-funded capex and acquisition leading to material debt addition, thereby impacting debt metrics
- Any significant time or cost overrun or delay in ramp-up upon commencement of operations thereby impacting the credit profile

**About the Company**

CHL is a 250-bed multispecialty hospital in Indore, Madhya Pradesh. The company was set up as Convenient Hospital in 2001 and was the first corporate hospital in central region of India. CHL is known for its strong clinical expertise in the fields of cardiology/cardiac surgery, neurosciences, gastroenterology, liver transplants, renal sciences and critical care. In June 2022, QCIL acquired 95% stake in CHL and acquired the remaining 5% in April 2024. CHL is now a wholly owned subsidiary of QCIL and was renamed as CARE CHL Hospital. Also, CHL has a wholly owned subsidiary, HIRC.

**About the Group**

The Care group was set up in 1997 by cardiologists, Dr B Soma Raju and Dr N Krishna Reddy and their associates in Hyderabad. Since then, the group has expanded operations across India, with facilities having combined capacity of 2,600 operational beds as of October 2023. The group provides tertiary healthcare services in multispecialty areas and operates in Visakhapatnam, Nagpur, Aurangabad, Raipur, Indore and Bhubaneswar, besides its primary place of business in Hyderabad. QCIL, established in 1997 in Hyderabad, is the largest company of the Care group.

In March 2012, Advent International (Advent), acquired majority shareholding in the Care group through a combination of fresh equity infusion and acquisition of shares held by G2 Trade Centre Pvt Ltd, Demurg Enterprises Ltd and Mr Rakesh Jhunjhunwala.

In January 2016, Abraaj Growth Market Health Fund (AGHF), through its investment arm, Touch Healthcare Pvt Ltd, announced its takeover of the stake held by Advent in the group. Subsequently, in June 2019, TPG took over the management of the existing assets of AGHF. The fund was re-naming The Evercare Health Fund and is managed by The Rise Fund, the impact investment platform of TPG.

Over the years, infusion by private equity players led to sizeable reduction in stake held by the founder promoters. In November 2019, the ex-founder group of cardiologists (40 doctors) decided to split ways, which led to the exit of Dr B Somaraju and 10 doctors. The new cardiology team brought in by the group has integrated well and has benefited performance.

The Blackstone Group is the majority shareholder in QCIL, after acquiring 72.49% stake from TPG in October 2023.

**Key Financial Indicators**

As on / for the period ended March 31	Unit	2025	2024
Revenue	Rs crore	199	196
Profit after tax (PAT)	Rs crore	28	24
PAT margin	%	14	12
Adjusted debt / adjusted networth	Times	0	0
Interest coverage**	Times	NM	20.06

\*\*Company is debt-free, and the finance cost is arising out of interest on lease liabilities.

NM: not meaningful

**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.

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**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	Non Convertible Debentures <sup>#</sup>	NA	NA	NA	1765.00	Simple	Crisil AA-/Watch Positive

NA	Overdraft Facility	NA	NA	NA	20.00	NA	Crisil A1+
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# Yet to be issued

#### Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Heartcare Institute and Research Centre (Indore) Pvt Ltd	Full	Wholly owned subsidiary business linkages and common management

#### Annexure - Rating History for last 3 Years

Instrument	Type	Current		2025 (History)		2024		2023		2022		Start of 2022
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST	20.0	Crisil A1+	20-08-25	Crisil A1+		--		--		--	--
				22-05-25	Crisil A1+		--		--		--	--
Non Convertible Debentures	LT	1765.0	Crisil AA-/Watch Positive		--		--		--		--	--

All amounts are in Rs.Cr.

#### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Overdraft Facility	20	Axis Bank Limited	Crisil A1+

#### Criteria Details

<b>Links to related criteria</b>
<a href="#">Basics of Ratings (including default recognition, assessing information adequacy)</a>
<a href="#">Criteria for consolidation</a>
<a href="#">Criteria for factoring parent, group and government linkages</a>
<a href="#">Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)</a>

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