

July 30, 2024

KIMS Hospitals Private Limited: [ICRA]A- (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	243.00	[ICRA]A- (Stable); assigned
Total	243.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in KIMS Hospitals Private Limited's (KHPL) strong parentage as a 99.99% of its stake is held by Krishna Institute of Medical Sciences Limited (KIMS), which has a strong credit profile and an established track record in the healthcare sector. KHPL is setting up a 300-bed multi-specialty hospital in Rajahmundry on a land of 7,260 square yards at an estimated project cost of Rs. 292 crore, which is expected to be funded through term debt of Rs. 246 crore and equity contribution of Rs. 46 crore. As on May 31, 2024, the company has incurred Rs. 6.38 crore towards the project, which was funded by Rs. 5.39 crore of debt and the rest through equity. The Group has an existing hospital in Rajahmundry, which is operating at full occupancy. The new hospital is expected to enjoy operational synergies from the Group's presence in the region.

The hospital is expected to commence operations from April 2026. KIMS has expressed its willingness to support the entity, whenever required. It would also be infusing funds to meet the interest cost during the construction period. The rating, however, is constrained by the construction stage of the project and execution risks associated with it. ICRA, however, notes that KIMS has a track record of setting up new hospitals and ramping up operations successfully. The rating also considers the intense competition and regulatory risks inherent in the healthcare industry. Besides, stabilisation of operations within the timeline remains critical, given the debt-funded capex towards the project.

The Stable outlook on the rating reflects ICRA's opinion that the company would be able to complete the project construction in a timely manner and would be continuing to receive support from its the parent.

Key rating drivers and their description

Credit strengths

Strong parentage and support from parent company – KIMS is one of the leading multi-disciplinary, integrated, private healthcare services providers in South India. KIMS operates a chain of multispecialty hospitals with a focus on tertiary and quaternary healthcare with a total bed capacity of 3,975. KHPL would benefit from KIMS' expertise in setting up and ramping up operations of new hospitals successfully. KIMS has expressed its willingness to support the entity, whenever required. It would also be infusing funds to enable KHPL meet its interest obligations during the construction period.

Parent group's presence in the Rajahmundry market provides operational synergies – KIMS has an existing hospital in Rajahmundry, operating at over 90% occupancy, which reflects the healthy demand for healthcare services and brand equity of KIMS in the region. KHPL is expected to enjoy operational synergies with the Group's existing hospital in the region.

Credit challenges

Nascent stage of the project – The company is setting up a 300-bed multi-specialty hospital in Rajahmundry, which is expected to commence operations in April 2026. The company faces execution risks as the construction is still in progress. Timely completion of the project without any material time or cost overrun would be important.

Large debt-funded capex plans – The company is funding ~84% of the project cost through debt and the repayments will commence from FY2027 after a moratorium period of three years (FY2024-FY2026). Therefore, timely commencement of operations and successful ramp-up of the hospital, notwithstanding the competition from local hospitals in the region, will be crucial. ICRA also factors in the regulatory risks inherent to the healthcare industry.

Liquidity position: Adequate

The company's liquidity position is **adequate**. The company is constructing a new hospital at an estimated capex of Rs.292 crore. KHPL has incurred Rs. 6.4 crore till May 31, 2024, which has been funded through Rs. 5.39 crore of debt and Rs. 0.99 crore of equity. It is expected to incur Rs.284-285 crore capex over the next 12-24 months, which will be funded by term loan of Rs. 240.61 crore (already sanctioned) and the balance through equity. KIMS is expected to infuse funds in a timely manner to enable KHPL meet its interest obligations during the construction period.

Rating sensitivities

Positive factors – ICRA could upgrade KHPL's rating if there is a healthy ramp-up of operations in a timely manner. Improvement in the parent's credit profile could also trigger a rating upgrade.

Negative factors – Pressure on KHPL's rating could arise if any significant delay in project completion or any major cost overrun impacts the company's liquidity position or its debt metrics. Any moderation in the parent's credit profile or weakening of linkages with the parent could trigger a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hospitals
Parent/Group support	Implicit support from its parent, Krishna Institute of Medical Sciences Limited.
Consolidation/Standalone	Standalone

About the company

KIMS Hospitals Private Limited (KHPL) was incorporated in December 2014 as a 99.99% subsidiary of Krishna Institute of Medical Sciences Limited (KIMS). The company has leased a land of 7,260 square yards in 2017 and is setting up a 300-bed multi-specialty hospital on the said land in Rajahmundry. Once operational, the hospital is expected to have major departments such as oncology, cardiology, neurosciences, gastroenterology, orthopaedics and mother and child. The hospital is expected to commence operations in April 2026.

Key financial indicators (audited): Not Applicable as it is a project stage entity

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Date & rating in FY2025 July 30, 2024	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
1 Term loans	Long term	243.00	[ICRA]A- (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	January 29, 2024	NA	March 31, 2035	243.00	[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: Not applicable

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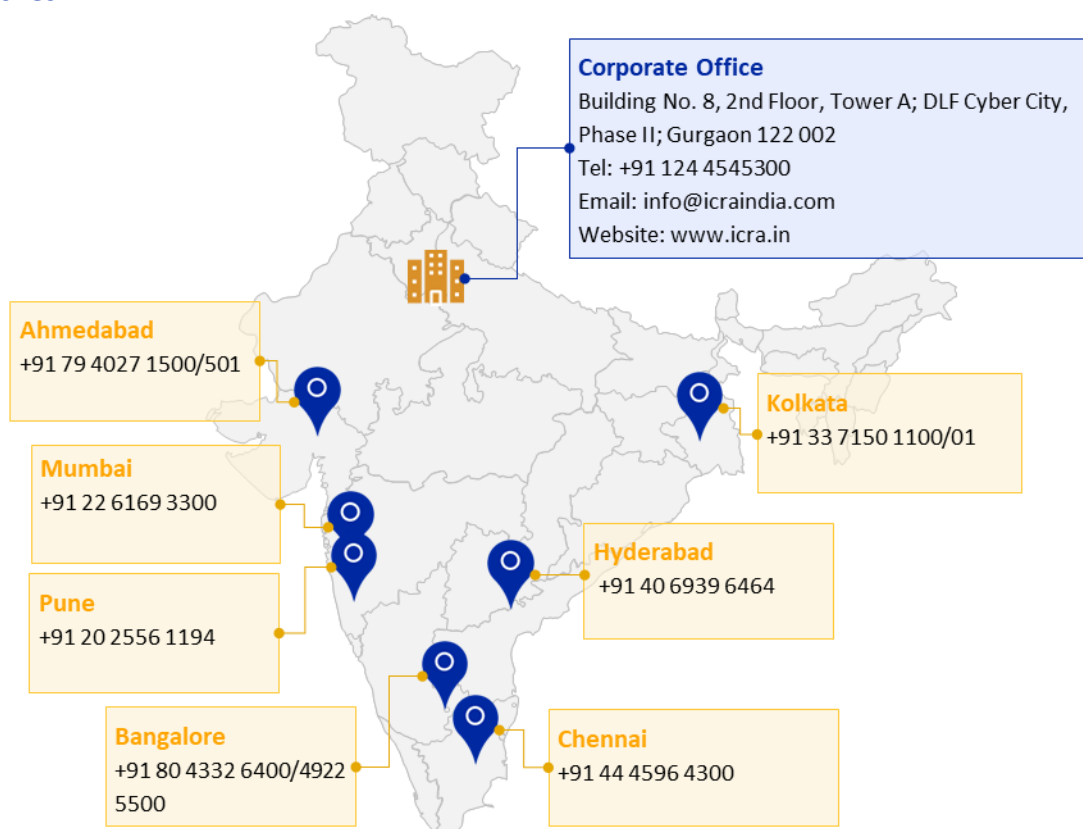


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