



Press Release

Genesis Institute of Medical Science Private Limited

August 09, 2023

(Revised)

Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	Complexity Indicator
Term Loans	47.01	IVR BBB (CE)/ Stable (IVR Triple B [Credit Enhancement]* with Stable Outlook)	Assigned	Complex
GECL	18.23	IVR BBB (CE)/ Stable (IVR Triple B [Credit Enhancement]* with Stable Outlook)	Assigned	Complex
Bank Guarantee	1.65	IVR A3+ (CE) (IVR A Three Plus [Credit Enhancement]*)	Assigned	Complex
Equipment Finance Loan	2.13	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Assigned	Simple
Proposed Overdraft	10.00	IVR A4 (IVR A Four)	Assigned	Simple
Total	79.02 (Rs. Seventy Nine Crore and Two Lakhs Only)			

** Based on unconditional and irrevocable Corporate Guarantee from Baby Memorial Hospital Limited*

Unsupported Rating#	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)
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#Unsupported rating does not factor in the unconditional and irrevocable Corporate Guarantee from Baby Memorial Hospital Limited



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Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to Genesis Institute of Medical Science Private Limited (GIMSPL) derive comfort from the extensive experience and established track record of the promoters in the healthcare industry, corporate guarantee from Baby Memorial Hospital Limited - This corporate guarantee results in credit enhancement in the rating of the said bank facilities to IVR BBB (CE)/ Stable (IVR Triple B [Credit Enhancement] with Stable Outlook) and IVR A3+ (CE) (IVR A Three Plus [Credit Enhancement]) against the unsupported rating of IVR BB-/ Stable (IVR Double B Minus with Stable Outlook), and satisfactory credit profile of the corporate guarantor, Baby Memorial Hospital Limited. These rating strengths are, however, constrained by the relatively new vintage of GIMSPL and low probability of turnaround in profit of GIMSPL before FY26, intense competition in the hospital sector, and attrition risk of doctors.

Key Rating Sensitivities:

Upward Factors

- Steady improvement in total operating income and turnaround from loss to profit of GIMSPL.
- Improvement in the credit profile of the corporate guarantor, Baby Memorial Hospital Limited.

Downward Factor

- Weakening of the credit profile of the corporate guarantor.

Adequacy of Credit Enhancement Structure

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by Baby Memorial Hospital Limited to all loans of GIMSPL financed by Canara Bank. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities of Canara Bank and has a structured payment mechanism defining invocation and payment timelines. The corporate guarantee results in an enhancement in the rating of the said facilities to IVR BBB (CE)/ Stable / IVR A3+ (CE) against the unsupported rating of IVR BB-/ Stable / IVR A4. The adequacy of credit



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enhancement has been tested after considering guaranteed debt by Baby Memorial Hospital and debt of GIMSPL. The adjusted capital structure and adjusted debt protection metrics of Baby Memorial Hospital Limited remain adequate.

Transaction Structure

In the event of a payment default, the following structure will be applicable:

1. T being scheduled due date of payment.
2. The Lender will invoke the corporate guarantee within T+1 days.
3. Payment by the guarantor will be made within (T+2) days.

Infomerics will consider T+2 as its legal final maturity for the purpose of recognition of default.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience and established track record of the promoters in the healthcare industry**

Genesis Institute of Medical Science Private Limited (GIMSPL) has been taken over by Baby Memorial Hospital Limited, whose promoters have more than four decades of experience in the healthcare industry. GIMSPL has an established panel of doctors/surgeons across multiple specialties with adequate medical infrastructure, which will help it to achieve steady revenue growth in the future, backed by the experience of the promoters. Infomerics believes that the longstanding experience of the promoters will continue to support the business of GIMSPL.

- **Corporate Guarantee from Baby Memorial Hospital Limited**

Baby Memorial Hospital Limited (BMHL) has proposed to extend an unconditional and irrevocable corporate guarantee to all loans of GIMSPL financed by Canara Bank. BMHL has a strong financial profile and is engaged in hospital services. Going forward, Infomerics believes that timely and need based financial support will be extended by the corporate guarantor in case of any pressure on cash flows of GIMSPL.



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- **Satisfactory credit profile of the corporate guarantor, Baby Memorial Hospital Limited**

The credit profile of Baby Memorial Hospital Limited post consideration of the debt of Genesis guaranteed by Baby Memorial remains satisfactory, which imparts comfort to us. While the Overall Gearing ratio deteriorated from 0.42x in FY22 to 0.63x in FY23(Provisional) and TOL/TNW deteriorated from 0.64x in FY22 to 1.38x in FY23(Provisional), the figures of FY23(Provisional) are still reasonable. During the projected period, FY24-26, Overall Gearing ratios are expected to remain in the range 0.28x to 0.59x and TOL/TNWs are expected to remain in the range 0.45x to 0.87x.

Key Rating Weaknesses

- **Relatively new vintage of GIMSPL and low probability of turnaround in profit of GIMSPL before FY26**

GIMSPL was established in 2020 and thus it has just been 2.5 years of existence for the hospital. Accordingly, the hospital had not achieved the break-even mark in FY23(Provisional). Take over by Baby Memorial Hospital Limited (BMHL) and further investment in GIMSPL's medical equipment infrastructure would ensure that GIMSPL makes profit in the foreseeable future, however, according to Infomerics GIMSPL would continue to remain in red till FY25.

- **Intense competition in the hospital sector**

The operating spectrum of GIMSPL is highly competitive due to the presence of many hospitals in Kannur. High competition restricts the profitability of the companies including GIMSPL.

- **Attrition risk of doctors**

The reputation of a hospital largely depends on the quality of its doctors. If GIMSPL is not able to attract and retain good doctors, its reputation would suffer, which would ultimately impact the profits negatively.



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Analytical Approach: Standalone and credit enhancement

Credit Enhancement is based on the unconditional and irrevocable corporate guarantee provided by Baby Memorial Hospital Limited (BMHL) to the bank facilities of Genesis Institute of Medical Science Private Limited (GIMSPL).

Unsupported rating: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Structure Debt Transaction \(Non-Securitisation Transaction\)](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

Genesis Institute of Medical Science Private Limited's (GIMSPL) liquidity position is expected to remain adequate in the near-term backed by support from Baby Memorial Hospital Limited (BMHL). To meet any cashflow mismatches, Infomerics expects BMHL to provide need-based funding support to GIMSPL. The liquidity position of BMHL (corporate guarantor for GIMSPL) is also expected to remain adequate marked by its sufficient cushion in accruals vis-a-vis its debt repayment obligations from FY24- FY26.

About the Company

Genesis Institute of Medical Science Private Limited is a multi-speciality hospital based in Kannur, Kerala with a licenced capacity of 500 beds. The hospital was taken over by Baby Memorial Hospital Limited on 12th December 2022 and it became a 100% subsidiary of Baby Memorial Hospital since that date. The current operational beds are 150 in number and the hospital has plans of scaling up to 250 beds by December 2023. The specialities catered to by Genesis include Orthopaedics, Gastro Sciences, Neurology, Nephrology, Medical Oncology, Cardiology, etc. The total number of doctors as on date is 80 in number. There are only 3-4 multi-speciality hospitals in Kannur with a bed capacity of 100 or more.

About the Corporate Guarantor (Baby Memorial Hospital Limited)

Baby Memorial Hospital Limited is one of the largest single location private hospital in Kerala.



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It was founded in Calicut in 1987 by Dr. K. G. Alexander. Starting with 52 beds, the hospital has now grown to a 600 bed facility having over 40 Medical and Surgical departments, 16 world-class operation theatres, 11 fully equipped ultramodern ICUs and a 24-hours accident and trauma care unit. Spread over 7.2 acres of land, the hospital now has a team of 300+ doctors and 2000+ nursing, paramedical and administrative staff. It offers tertiary care services across multiple specialties. It also has a nursing academy offering nursing and paramedical courses.

Financials (Standalone):

For the year ended* / As on	Rs in Crores	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	51.54	57.62
EBITDA	-10.53	-7.04
PAT	-34.62	-38.41
Total Debt	120.13	142.99
Tangible Net worth	9.78	-0.43
EBITDA Margin (%)	-20.42	-12.22
PAT Margin (%)	-65.04	-66.67
Overall Gearing ratio (X)	12.28	-328.75

**Classification as per infomerics' standards*

Financials of the Corporate Guarantor (Baby Memorial Hospital Limited):

For the year ended* / As on	Rs in Crores	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	275.36	300.41
EBITDA	42.50	56.05
PAT	21.32	34.53
Total Debt	98.44	107.74
Tangible Net worth	231.80	297.12
EBITDA Margin (%)	15.44	18.66
PAT Margin (%)	7.58	11.09
Overall Gearing ratio (X)	0.42	0.36



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**Classification as per infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	47.01	IVR BBB (CE)*/ Stable	-	-	-
2.	GECL	Long Term	18.23	IVR BBB (CE)*/ Stable	-	-	-
3.	Bank Guarantee	Short Term	1.65	IVR A3+ (CE)*	-	-	-
4.	Equipment Finance Loan	Long Term	2.13	IVR BB-/ Stable	-	-	-
5.	Proposed Overdraft	Short Term	10.00	IVR A4	-	-	-

**CE rating based on enforceable, unconditional and irrevocable corporate guarantee of Baby Memorial Hospital Limited (BMHL)*

Name and Contact Details of the Rating Analyst:

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About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt



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instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
Term Loan - I	-	-	March 2027	25.02	IVR BBB (CE)* / Stable
Term Loan - II	-	-	February 2028	21.90	IVR BBB (CE)* / Stable
GECL – I	-	-	April 2028	12.90	IVR BBB (CE)* / Stable
GECL – II	-	-	March 2027	5.33	IVR BBB (CE)* / Stable
Vehicle Loan	-	-	December 2029	0.09	IVR BBB (CE)* / Stable



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Equipment Finance Loan	-	-	October 2024	2.13	IVR BB-/ Stable
Bank Guarantee	-	-	-	1.65	IVR A3+ (CE)*
Proposed Overdraft	-	-	-	10.00	IVR A4

** Based on unconditional and irrevocable Corporate Guarantee from Baby Memorial Hospital Limited*

Annexure 2: List of companies considered for consolidated analysis: NA

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-genesis-aug23.pdf>

Annexure 4: Detailed explanation of covenants of the rated facilities:

List of covenants:

- Rate of interest: Bank rate + 1.75% on term loan of sanctioned amount of INR53 crore, MCLR + 4.10% on term loan of sanctioned amount of INR25 crore, 1 year MCLR + 0.60% on GECL of sanctioned amount of INR12.90 crore, 1 year MCLR + 0.60% on GECL of sanctioned amount of INR8.00 crore.
- The prime securities for the term loans are EMT of existing unregistered equitable mortgage of land and hospital building constructed thereon at Edakkad village in Kannur Taluk in Kannur District, Kerala, admeasuring 6.93 acre including services and amenities, hypothecation of machineries, equipment in hospital, construction cost on 4th Floor to 6th Floor on Hospital Building amount of INR35.00 crore, hypothecation of medical equipment, furnishing, vehicles and furniture and fixtures, services and amenities of INR25.00 crore.
- The collateral securities include EMT of unregistered equitable mortgage of approx. 4 acres of land adjacent to the prime security (project site) at Edakkad village and Chembilode village.
- Personal Guarantees have been given by Mr. T.P. Hameed, Mr. E.K. Abdul Hameed, Dr. Padmanabhan P A, Mr. Prasanthan M, Mr. P Mohamed Ashraf, Mr. Mohamood M, Mr. Mohamed Kunhi, Mr. K Abdul Jabbar, Mr. Ismath Pulimarthin Keezhil, Mrs. Uma Nambiar,



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Mr. Midlaj K Hameed, Dr. PAP Amjed, Mr. Sreejith Madhavan, and Dr. Suhaiba Ameera.

Link to the Last Press Release:

<https://www.infomerics.com/admin/uploads/pr-genesis-institute-9aug23.pdf>

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.