

Term Loan for an Emergency Medical Service Provider

Case Study #2

Introduction

In this case study, we explore a term loan (TL) transaction where Vivriti acted as the lender/financier to the client, which we are referring as ABC Ltd, to finance their working capital expenditure.

Below we present the key findings of the diligence process about the company and argue in favour of ABC for term financing.

Company background



History

Headquartered in a Tier-1 metro city, ABC Ltd is one of India's leading professional ambulance and emergency medical service (EMS) provider. The company provides private ambulance service for nearly 100 corporate clients and has also partnered with 5-10 state governments under the National Health Ministry. ABC currently operates about 3000 ambulances in over 20 cities in India and has presence in a few gulf cooperation council (GCC) countries.

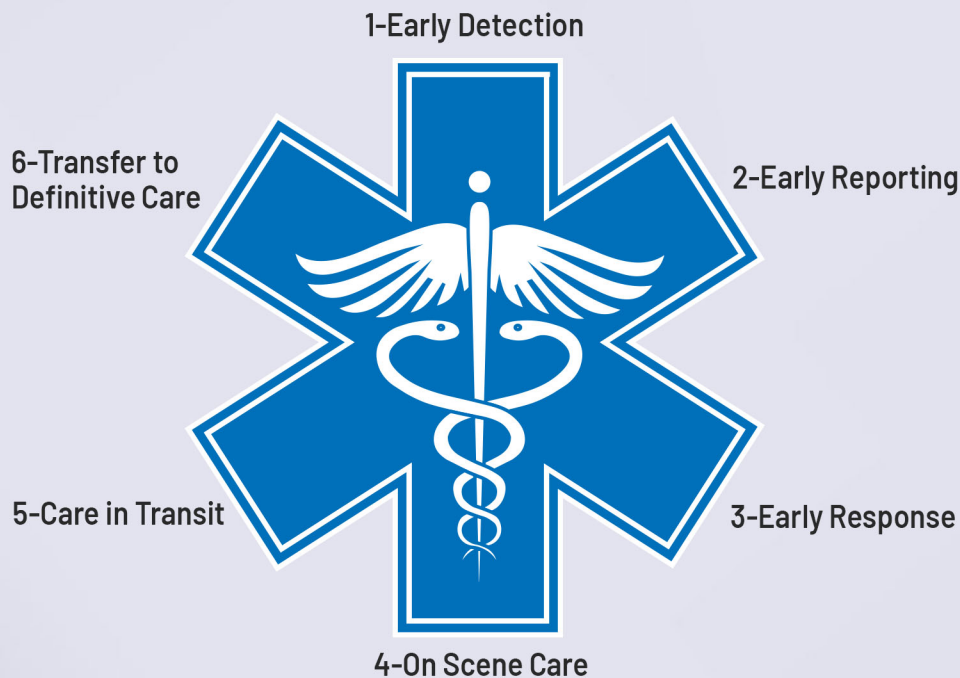
With nearly two decades of industry presence, the promoter group holds approximately 80-90% of the company's shares, while the remainder is owned by external investors.



Industry

Emergency medical services, also referred to as ambulance or paramedic services, offer urgent pre-hospital treatment, stabilization for severe illnesses and injuries, and transportation to appropriate medical care.

Stages of Pre-Hospital Care



Despite India's remarkable progress on various fronts, its healthcare sector requires urgent attention and reform. The lack of a robust EMS system has resulted in prolonged response times, inefficient care delivery, and preventable loss of lives, particularly in rural areas.

Ambulance services often lack essential equipment, skilled personnel, and timely access, contributing to high mortality rates during emergencies. Recognizing the urgent need for reform, policymakers and healthcare stakeholders must collaborate to establish a comprehensive EMS network. This entails implementing sector-specific policies, enhancing training programs, investing in technology-enabled ambulances, and leveraging modern technologies

like geographic information system (GIS) and artificial intelligence (AI) for rapid response.

Given the unmet needs, there is a huge room for growth in the market.



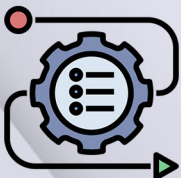
Credit Rating

ABC has an external credit rating of BBB.



Credit Profile

The company has a successful track record of raising debt capital primarily from existing lenders, including a public sector bank.



Other Factors

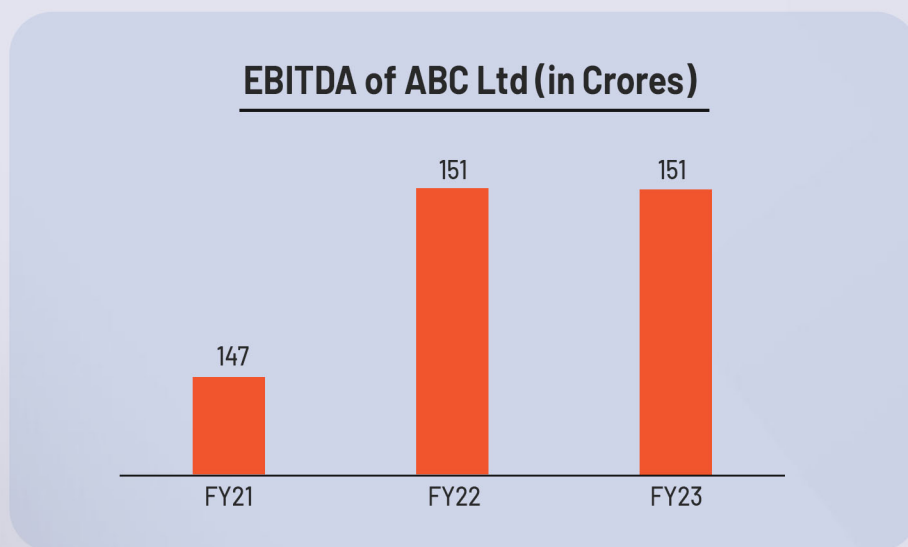
The company has been considered in positive light for the following reasons:

- Promoters have a proven operational track record within the healthcare sector.
- Consistently healthy operating margins over the past three years, largely attributed to government contracts.
- Robust revenue projections ensure strong visibility for the next two years.
- Utilization of an asset-light model, with the majority of capital expenditures covered by government funding.

Why ABC Ltd was chosen?

After the company passed all the key profiling criteria, Vivriti Capital considered to explore term financing with ABC on the following outlook:

- The company anticipates the privatization of ambulance services in the GCC, which is expected to open up new revenue streams.
- ABC is expected to have a stable source of revenue due to its multiple collaborations with government authorities such as the National Highway Authority of India (NHAI) and the police departments.



Conclusion

Vivriti Capital has considered ABC Ltd for term financing based on the above parameters and the proposed amount is of moderate size set internally.