

RATING RATIONALE

24 Oct 2019

Aashka Hospitals Limited (Formerly known as Aashka Hospitals Pvt. Ltd.)

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 26.61 Crores of aashka Hospitals Limited ('AHL or the Hospital')

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Jan, 2014)#	Present
Fund based	33.65	26.61	Long Term	BWR B (Pronounced as BWR Single B) Stable	BWR B (Pronounced as BWR Single B) Reaffirmed Stable
Total	33.65	26.61	INR Twenty Six Crores and Sixty One Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

#Rating was moved to RNR category in April 2015

RATING ACTION / OUTLOOK

The ratings for the bank loan facilities continues to factor in management's qualifications and experience in the field of medicine along with AHL's strong revenue visibility in the coming years. The ratings, however, remain constrained by stretched liquidity profile, average yet improving financial risk profile as well as competition faced from other well established hospitals in Ahmedabad.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. BWR expects that AHL's business risk profile will be maintained over the medium term. The outlook may be revised to Positive if the company records significantly better-than-expected revenue and profitability and improved working capital management, resulting in better debt coverage metrics and liquidity profile. The outlook may be revised to Negative if the company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker liquidity position.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced and Qualified management :-** Mr Bipinchandra Shah (aged 50), chairman and managing director of AHL is a Gold Medalist in Civil engineering and is a technocrat businessman. He is supported by Dr. Parag Thaker, Dr. Sukumar Mehta, Dr. Vijay Patel, Dr Ravi Khetan and a team of 35 experienced doctors. All of them have around a decade of experience in the field of medicine and look after the day to day activities of the company.
- **Revenues:** AHL's revenue witnessed a growth of 35% from FY18 to FY19. Revenues improved with the Hospital delivering more of high end medical services including Cardiac surgeries and Neuro surgeries as well as moderate number of bed capacity of 130 rooms. The Hospital has recently received NABH accreditation in September 2019 which is expected to drive revenue growth in the future apart from the Hospital's focus on high end medical services. In the first 6 months of FY20, the Hospital has reported revenues of Rs 15.67Cr, ~46% of the projected revenues for the year.

Credit Risks:

- **Average financial risk profile; though on an improving trend:** AHL has moderate gearing at 2.15 times in FY19 against 3.52 times in FY18. Net cash accruals/total debt is low yet has improved from 0.07 times in FY18 to 0.12 times in FY19. Debt service coverage ratio is inadequate at 0.82 times in FY19. However, Interest service coverage ratio is comfortable at 1.68 times in FY19.
- **Competition faced from other well established hospitals in Ahmedabad:** AHL is relatively new hospital in the city. Hence, AHL faces intense competition from already existing well established hospitals such as Shalby Hospitals, Apollo Hospitals, Zydus Hospital, SAL Hospital & Medical Institute etc.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale). The Company does not have any subsidiaries.

RATING SENSITIVITIES

Positive:

- Substantial improvement in the revenue and cash accruals along with maintaining the credit metrics on a sustained basis will be positive for the ratings.

- Specific credit metrics that could lead to an upgrade of AHL’s rating include (1) Net cash accruals/total debt greater than 0.20 times on a sustained basis, (2) DSCR greater than 3.0 times on a sustained basis.

Negative:

- Deterioration of profitability- Operating margin below 8% and net margin below 3%

LIQUIDITY POSITION

The liquidity position of AHL is stretched reflected by meagre cash accruals of Rs 3.87 Crs against current portion of long term borrowings of Rs 7.47 Crs. Debt service coverage ratio is below average at 0.82 times coupled with inadequate current ratio at 0.57 times in FY19. Furthermore, the Hospital has cash and cash equivalents of Rs 1.40 Crs as on 31st March 2019.

COMPANY PROFILE

Aashka Hospitals Limited formerly known as Aashka Hospitals Pvt Ltd is NABH accredited private hospital located in Gandhinagar, Gujarat. The Hospital was incorporated in the year 2012 and is presently managed by Mr Bipinchandra Shah, Dr. Parag Thaker, Mr Hiteshkumar Shah and Mr. Kalpeshkumar Patel. The 130 bed Hospital and team of 35 professional doctors is led by Mr. Bipinchandra Shah, who is the Managing Director of the Company. He has an experience of over a decade and looks after the overall Hospital's operations and functions. He is supported by a Committee of Doctors and the Medical Superintendent for the day to day activities of the Hospital. The Hospital provides multi-speciality services and is equipped with latest technology. AHL is engaged in providing super specialties including Cardiology and Cardiothoracic Surgery, Vascular Surgery, Neuro Surgery, Gastroenterology , Nephrology, Urology, Joint Replacement, Spine Surgery and Critical Care.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Total Operating Income	Rs in Crs	27.67	20.94
EBITDA	Rs in Crs	9.51	7.33
PAT	Rs in Crs	1.33	0.11
Tangible Net worth	Rs in Crs	15.36	10.88
Total Debt/TNW	Times	2.15	3.52
Current Ratio	Times	0.57	0.45

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

Facilities	Current Rating			Rating History				
	Tenure	Amount (₹ Cr)	Rating	2018	2017	2016	2015	Jan 2014
Fund Based	Long Term	26.61	BWR B (Pronounced as BWR Single B) Reaffirmed Stable	NA	NA	NA	Rating Not Review ed	BWR B (Pronounced as BWR Single B) Stable
Total		26.61	INR Twenty Six Crores and Sixty One Lakhs Only					

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

Analytical Contacts	Investor and Media Relations
<p>Kalgi Mehta Ratings Analyst B :+91 79 66174046 / 47 kalgi.m@brickworkratings.com</p> <p>Vidya Shankar Senior Director - Ratings B :+91 80 4040 9940 vidyashankar@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Bank of India	Term Loan I	23.51	0.00	23.51
2.		Term Loan II	2.60	0.00	2.60
3.		Cash Credit	0.50	0.00	0.50
TOTAL					26.61

Total Rupees Twenty Six Crores and Sixty One Lakhs only.

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