



RATING RATIONALE

14 Oct 2019

Asclepius Hospitals and Health Care Pvt. Ltd.

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of Rs.74.94 Crs. of Asclepius Hospitals and Health Care Pvt. Ltd.

Particulars:

Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Jul, 2018)	Present
Fund based Term Loans	69.90	69.04	Long Term	BWR BB, Stable (BWR Double B)	BWR BB, Stable (BWR Double B) (Reaffirmed)
Cash Credit	3.00	5.90			
Non Fund Based ILC/FLC/BG/ILG/FLG (Sublimit of Fund based limits)	(27.00)	(14.00)	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) (Reaffirmed)
Total	72.90	74.94	(Rs.Seventy Four Crores and Ninety Four Lakhs Only)		

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

** Details of Bank Loan facilities is provided in Annexure-I&II

RATING ACTION / OUTLOOK

Brickwork Ratings has reaffirmed the Ratings of BWR BB/A4 on bank loans of Rs.74.94 of Asclepius Hospitals and Health Care Pvt. Ltd. with a Stable Outlook. The rating reaffirmation is based on the hospital achieving better than projected revenues in FY19, increase in Bed occupancy, positive EBIDTA although lower than expected, registration under government healthcare programs and third party tie ups which is likely to lead to larger patient inflow, as well as infusion of funds by Directors to meet debt obligations. The ratings also continue to draw



strength from the experienced promoters, the Hospital's association with the financially sound Kayal Group, reputed doctors on board, and the multi specialty nature of its operations. The ratings are however constrained by the continued net losses in FY19 due to high fixed costs, high gearing owing to the CAPEX loans, debt service coverage ratios of below acceptable levels, and competition from the established hospitals in the region.

The "Stable" Outlook indicates a low likelihood of rating change over the near to medium term. Brickwork Ratings believes that the business profile of Asclepius Hospitals and Health Care Pvt. Ltd. will be maintained over the medium term. The rating outlook could be revised to "Positive" on the hospital achieving breakeven with increase in bed occupancy. The rating outlook may be Downgraded to "negative" on a decline in bed occupancy, and the hospital not being able to achieve the projected financials, or any additional borrowing that will lead to deterioration in the gearing and debt protection metrics.

KEY COVENANTS OF THE INSTRUMENT: Not Applicable

KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19, Provisional brief financials of H1FY20, projections of FY20 and FY21, publicly available information and information/clarification provided by the management.

Credit Strengths:

1. **Revenues & Bed Occupancy:** AHHCPL achieved revenues of Rs.65 Crs in FY19 ~30% higher than its projected revenues. The growth in revenues was backed by an increase in bed occupancy to 47% in FY19 (FY 18:34%). FY19 is the Hospital's second year of operations, but the first full year. The Hospital is in line with its projections for FY20 so far. As reported, it has achieved 50% of the revenues and profitability projected for FY20. Debt servicing ratios have improved in H1FY20.
2. **Third Party Arrangements:** The Hospital is registered under the government healthcare programmes - Ayushman Bharat and Atal Amrit Abhiyan, and has tie ups with Airport Authority of India and insurance companies, which support the inflow of patients and help increase bed occupancy. The Hospital expects bed occupancy of over 60% in FY20.
3. **EBIDTA:** The Hospital reported operating profits of **Rs.3.07 Crs** in FY19 (FY18: **-Rs.5.44 Crs**) with increase in scale of operations. However, the reported EBIDTA fell short of expectations as a majority of the patients in the hospital came through the government healthcare plans and other third party arrangements, where rates of medical services are regulated by the Government.

4. **Infusion of funds:** The Directors have infused funds to meet debt obligations every month. During FY19, the Directors have infused Rs.4.81 Crs as unsecured loans.
5. **Experienced Management:** The Promoter Directors include four doctors, namely Dr. Neil Bordoloi, Dr. Prakritish Bora, Dr. R.P. Soni and Dr. Manash Pratim Baruah and also experienced management graduates. These promoters have a decade's experience in running a health care unit. The other Promoter Directors are from the 'Kayal Group' and have diversified business experience with sound financial background.

Credit Risks:

1. **Net Losses:** The Hospital reported net losses in FY19 due to high fixed costs since it is in its initial stage of operations. It is expected to breakeven in FY20 reporting net profitability - although marginal - with increase in revenues on the back of improved occupancy and patient turnover.
2. **High Gearing :** AHHCL has high gearing of 5.76x as per FY19 as the Hospital availed bank loans of Rs.69.90 Crs to complete the CAPEX apart from unsecured loans of ~Rs.18 Crs and an additional Rs.5.90 Crs to meet its working capital requirements. Gearing is however expected to improve with repayment of term loans going forward, and the expected capital subsidy of Rs.30 Crs from the government.
3. **Debt Service Coverage Ratios:** AHHCL reported low ISCR and DSCR mainly on account of recent commencement of operations. The debt protection metrics, although improved in FY19, were still below acceptable levels. The debt service ratios are expected to improve in FY20 with the Hospital reporting net profitability.

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).

RATING SENSITIVITIES

The rating outlook for AHHCL could be revised to **Positive**, with an increase in its scale of operations with increase in bed occupancy to a minimum of ~60%, and improved debt protection metrics to acceptable levels with increase in profitability.

The Rating Outlook could be revised to **Negative**, with stagnation or any decline in scale of operations due to lower bed occupancy, or deterioration in the debt protection metrics with any decline in profitability.



LIQUIDITY INDICATORS:

The liquidity of the Hospital is currently **Stretched** with tightly matched cash accruals to repayment obligations in FY20. The Hospital is in its initial stage of operations and is yet to achieve breakeven. Bed occupancy is below 50%. The payment of interest on bank loans has been met by infusion of funds by the directors every month so far. Repayment of term loan has recently started and has been met from cash accruals. The hospital is utilising 95% of its working capital limits. It has availed an enhancement in working capital limits in FY19 which is adequately utilised. The Hospital has a modest Cash and Cash equivalent of Rs.0.83 Crs as on March 31, 2019, and the current ratio is below acceptable levels. However, it is expected to receive a capital subsidy of Rs.30 Crs from the state government in FY20, which will ease out liquidity pressures going forward.

COMPANY's PROFILE

Incorporated in 2005, AHCPL is a Multi-Specialty Hospital in Paschim Boragaon, Guwahati. The registered office is at Ulubari, Guwahati. The Hospital started full fledged operations in April 2018 with 178 beds, 5 Operation Theatres, 4 Surgical suites, 2 Casualty rooms, 20 OPD Rooms and 1 Cathlab. It has specialties across Cardiology, General Medicine, General Surgery, Orthopaedics, Gynecology & Obstetrics, Pediatrics, Dental, ENT Clinic, Neurology, Ophthalmology, Physiotherapy, Dermatology, Emergency Care and others. Total number of doctors hired till date are 72 and total supporting Staff are 543.

Half of the promoter group of the hospital are professionally qualified Doctors and have more than a decade's experience in running a day care unit in Ulubari, Guwahati. The other half of the promoters of the Hospital are associated with the Kayal Group. The group is into the manufacturing of cement, corrugated box, asbestos sheet, DG set assembling, dealership from TVS and many more.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY18	FY19
Result Type		Audited	Audited
Operating Income	Rs. in Crs	11.10	65.42
EBIDTA	Rs. in Crs	-5.44	3.07
PAT	Rs. in Crs	-11.16	-11.88
Tangible Net Worth	Rs. in Crs	28.46	16.58
Total Debt	Rs. in Crs	85.54	95.50
Total Debt:Equity	Times	3.02	5.76
Current Ratio	Times	0.24	0.38

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY :Not Applicable

RATING HISTORY FOR THE PREVIOUS THREE YEARS

Facilities	Current Rating (2019)			Rating History		
	Tenure	Amount (Rs.Crs.)	Rating	02,Jul,2018	15,Feb,2017	31,Dec,2016
Fund Based	Long Term	74.94	BWR BB, Stable (BWR Double B) (Reaffirmed)	BWR BB (Outlook: Stable) (Upgraded)	BWR BB- (Outlook: Stable) (Reaffirmed)	Ratings Not Reviewed
Non Fund Based	Short Term	(14.00)	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (Reaffirmed)	BWR A4 (Reaffirmed)	

Total		74.94	Rs. Seventy Four Crs and Ninety Four Lakhs Only
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COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Healthcare Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Asclepius Hospitals and Health Care Pvt. Ltd.

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	State Bank of India	Fund Based Term Loan	46.27	0.00	46.27
		Cash Credit	3.00	0.00	3.00
2.	Punjab National Bank	Term Loan	6.89	0.00	6.89
		Non Fund Based ILC/FLC/BG/ILG/ FLG (Sublimit of fund based limits)	0.00	(8.00)	(8.00)
3.	Canara Bank	Fund Based Term Loan	6.92	0.00	6.92
		Cash Credit	2.90	0.00	2.90
4.	United Bank of India	Fund Based Term loan	8.96	0.00	8.96
		Non Fund Based ILC/FLC/BG/ILG/ FLG	0.00	(6.00)	(6.00)



		(Sublimit of fund based limits)			
Total Rupees Seventy Four Crs. and Ninety Four Lakhs only					74.94

For print and digital media

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About Brickwork Ratings: Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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