



Rating Rationale

Asclepius Hospitals and Health Care Pvt. Ltd.

2 July 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 72.90 Crores of Asclepius Hospitals and Health Care Pvt. Ltd. (AHCPL or 'The Company')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (February, 2017)	Present
Fund based	60.00	72.90	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable (Upgradation)
Non Fund Based	(27.00)	(27.00)	Short Term	BWR A4 Outlook: BWR A Four	BWR A4 (Pronounced as BWR A Four) (Reaffirmation)
Total	60.00	72.90	(INR Seventy Two Crores and Ninety Lakhs Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgradation of Long Term Rating and Reaffirmation of Short Term Rating

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon Asclepius Hospitals and Health Care Pvt Ltd.'s audited financials upto FY17, provisional financials of FY18, and projected financial statements for FY19 and FY20, publicly available information and information/clarifications provided by the management of the Company.

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The ratings have factored in the early start of operations at Asclepius Hospital and Health Care Pvt Ltd.'s hospital in March 2017 as against the scheduled COD of April 2018, achieving revenues of Rs.11.34 crs in FY18(Provisional) with occupancy rate of 28% and expected positive EBIDTA in FY19-the first full year of operations of the hospital. The hospital's multi specialty nature of operations, experienced promoters, reputed doctors on board and association with financially sound Kayal Group further accentuate ratings. The ratings are however constrained by the reported net losses due to high fixed costs, high gearing owing to the CAPEX, weak debt service coverage ratios and intense competition from the established hospitals in the region.

Going forward, ability of the Company to increase its scale of operations, improve profitability and strength its credit profile would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

1. **Early Start of Operations:** AHCPL completed the CAPEX before time and started operations in March 2017, ahead of the scheduled COD of April 2018. The Company started with OPD in March 2017 and the other facilities started in December 2017. It added 10 extra beds to the earlier expectations of 168 beds and had an occupancy of 28% as on March 2018. As per the provisional FY18 financials, AHCPL reported revenues of Rs.11.34 crs.
2. **Expected positive EBIDTA in FY19:** AHCPL expects operating profitability in FY19-its first full year of operations at the hospital. Occupancy rate is expected to rise.
3. **Experienced Management:** The Promoter Directors include three doctors, namely Dr. Neil Bordoloi, Dr. Prakritish Bora and Dr. Manash Pratim Baruah and also experienced management graduates. These promoters have a decade experience of running a health care unit. The 'Kayal Group' members who were appointed as additional directors for the Company have diversified business experience with sound financial background.

Credit Risks:

1. **Net Losses:** The company reported net losses in FY18(provisional) due to high fixed costs. It is expected to report net profitability in FY20 with increase in revenues on the back of improved occupancy and patient turnover.
2. **High Gearing :** AHCPL has high gearing of 2.80x as per Provisional FY18 as the Company availed bank loans of Rs.69.90 crs to complete the CAPEX and an additional Rs.3.00 crs to meet its working capital requirements. Gearing is however expected to improve with repayment of term loans going forward.
3. **Weak Debt Service Coverage Ratios:** AHCPL reported weak ISCR and DSCR mainly on



account of recent commencement of operations. The debt protection metrics are expected to improve in FY19 with the Company reporting profitability.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Asclepius Hospitals and Health Care Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Incorporated in 2005, AHHCPH is a Multi-Specialty Hospital in Paschim Boragaon, Guwahati. The registered office is at Ulubari, Guwahati.

The project started ahead of the schedule i.e in March, 2017 instead of April 2018. AHHCPH started with OPD and gradually all the facilities started from December 2017. The hospital has 178 beds (10 beds higher than the expected 168 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 and to be equipped with latest medical equipment and state of the art infrastructure. Total number of doctors hired till date are 72 and total supporting Staff are 543. The promoters of the hospital have more than nine years experience in the running a day care unit in Ulubari, Guwahati.

Company Financial Performance

The hospital started operations in March 2017 ahead of the scheduled April 2018. Revenues were generated in FY 2017-18. As per the provisional FY18 financials, AHHCPH reported revenues of Rs.7.81 crs until February 2018. For full year FY18 (provisional), total revenues generated were Rs.11.34 crs. Operating losses were at Rs.3.82 crs while net losses amounted to Rs.8.78 crs. Net worth as on March 31, 2018 is Rs.30.84 crs.



Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	15, Feb, 2017	31, Dec, 2016	28, Jul, 2015
1.	Fund Based	Long Term	72.90	BWR BB (Outlook: Stable) (Upgraded)	BWR BB- (Outlook: Stable) (Reaffirmed)	Ratings Not Reviewed	BWR BB- (Assigned)
2.	Non Fund Based	Short Term	(27.00)	BWR A4 (Reaffirmed)	BWR A4 (Reaffirmed)		BWR A4 (Assigned)
	Total		72.90	₹Seventy Two Crores and Ninety Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-NA
 Any other information-NA

Key Financial Indicators

Key Parameters	Units	FY17	FY16
Result Type		Aud.	Aud.
Operating Revenue	Rs.in Crs	0.00	0.00
EBITDA	Rs.in Crs	-0.08	-0.31
PAT	Rs.in Crs	-0.08	-0.28
Tangible Net worth	Rs.in Crs	37.62	12.72
Total Debt/Tangible Net worth	Times	1.15	1.29
Current Ratio	Times	2.41	0.20

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Annexure 1

Bank Wise Facility Details

Bank	Facility	Tenure	Amount (₹ Crs)
State Bank of India	Fund based: Cash Credit Term Loan	Long Term	3.00 46.90
Punjab National Bank	Fund Based Term Loan	Long Term	7.00
United Bank of India	Fund Based Term Loan	Long Term	9.00
Canara Bank	Fund Based: Term Loan	Long Term	7.00
(INR Seventy Two Crores and Ninety Lakhs Only)			72.90

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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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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