



Rating Rationale

11-Dec-2019

Ayursundra Hospitals (Guwahati) Pvt. Ltd. (Formerly known as Ayursundra Healthcare Pvt. Ltd.)

Brickwork Ratings assigns rating for the Bank Loan facilities of Rs. 60.06 Crores of Ayursundra Hospitals (Guwahati) Pvt. Ltd (AHGPL or ‘the company’), as per details below

Particulars:

Facility**	Amount (₹ Crs)	Tenure	Rating*
Fund based	60.06	Long Term	BWR B+, Stable
Total	60.06	INR Sixty Crores and Six Lakhs Only	

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

** Details of Bank Loan facilities are provided in Annexure-I

RATING ACTION: Rating Assigned

BWR has essentially relied upon the audited financial statements of Ayursundra Hospitals (Guwahati) Pvt. Ltd. upto FY19, relevant data - to the extent available - for the period April 2019 to October 2019, their projected financials upto FY21, publicly available information, and information/clarifications provided by the Company’s management and their bankers/lenders, to arrive at the present ratings.

BWR has assigned a rating of “BWR B+” with a “Stable” outlook, for the long term bank loan facilities of Rs. 60.06 crores of the company. The rating takes into cognizance the fact that AHGPL have been able to regularise their debt servicing during the current financial year. Given that their debt serving has remained regular on a continuous basis beyond the minimum stipulated curing period as confirmed by their lenders, their previous rating record (indicated in Page 5 of the rationale) is no longer material for assigning the present rating.

The assigned rating of “BWR B+” with a “Stable” outlook takes into account the overall improvement in the performance of the Company over FY 17 & FY 18 levels. It additionally derives strength from the promoters’ background, various multi speciality services offered by the Hospital, established brand image of Ayursundra, the favourable prospects of the hospital going forward, arising from the growing demand for specialised healthcare services in the North East, empanelments/tie-ups with various institutions, locational advantage of the Hospital, wide reach through its hub and spoke model, comfortable working capital cycle, and the defensive nature of the healthcare industry. It also factors in the receipt of subsidy under the North East Industrial and Investment Promotion Policy (NEIIPP) - 2007 during FY20, which has had a favourable impact on its financials in the current financial year.



The ratings are, however, constrained by their moderate scale of operations, weak financial profile characterized by leveraged capital structure and low debt protection indicators, geographical concentration risk, as well as competition and reputation risk associated with the healthcare sector.

Going forward, the ability of the Company to improve its scale of operations & profitability, to service its debt obligations on time, and to maintain debt service metrics and gearing at levels specified in the key rating drivers, would be the critical rating sensitivities.

The Rating has been assigned a “Stable” outlook, as the business risk profile of the company is stable, and the growth in the business and profitability is expected to be maintained in the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Strong Promoter background:** The technical and business knowledge of the promoters, along with their professional experience, has enabled them to establish and manage the operations of a state-of-the-art Super Speciality Hospital in Guwahati.
- **Super Speciality Hospital:** AHGPL is built as a Super Speciality Hospital, with diversified services. It specializes in various disciplines like Orthopaedics, Gastroenterology, Nephrology, Gynaecology, Cardiology, Oncology, In Vitro Fertilization (IVF), Trauma, Emergency, Medicine, Critical Care, etc. Some critical facilities like Cardiology and Oncology will be further enhanced in the next fiscal.
- **Established Brand Image:** The “Ayursundra” brand is well known in the Diagnostic field in Assam since 2011, as the Promoters have been establishing Diagnostic centres since then under this brand name. While these centres will be able to channelise patient referrals to AHGPL, brand recall by itself is expected to promote footfalls in the hospital of the same name.
- **Empanelments with various institutions:** Alliances and tie-ups with TPA’s, Corporates and other institutions will enable the hospital in ensuring a steady flow of patients and in consolidating its position in the market.
- **Location of the Hospital:** AHGPL is located in Guwahati on NH-37 which links Guwahati to the rest of North East India. Guwahati being the largest city in North East India, it also caters to the requirement of the population of other states in the north east where advanced medical facilities are not readily available. Further, Guwahati is well connected by rail and air to other parts of the country and to some neighbouring countries like Bangladesh, Myanmar and Bhutan, for which reason it is a preferred medical tourism destination for people from these countries also.
- **Hub and Spoke Model:** AHGPL operates through a hub and spoke model, which substantially increases its reach and feeds patients to the main hospital through referrals from remote locations.
- **Comfortable working capital cycle:** The conversion cycle of AHGPL is favourable - given the low level of receivables as most payments are received in cash, and the high credit period it enjoys for purchasing its consumables.
- **Defensive nature of Healthcare Industry:** The Healthcare industry is relatively immune to seasonal and economic factors. Given the growing population, higher incidence of lifestyle diseases, and increased awareness amongst people, demand for specialised medical services is bound to increase.



Credit Risks:

- **Moderate scale of operations:** The scale of operations of the hospital is moderate, as marked by total operating income of Rs. 61.58 crs, EBIDTA of Rs. 6.69 crs and net loss of Rs. 22.12 crs in FY 19. Net worth of the company stands at a modest Rs. 46.18 crs in FY 19.
- **Debt coverage metrics:** The debt service coverage indicators of AHGPL are low. However, receipt of subsidy in May, 2019 from the Assam Government under NEIIPP - 2007, and subsequent deposit of the same with the lending consortium for principal and interest payments until June 2020, provides substantial support.
- **Geographical Concentration Risk:** AHGPL has its presence only in Guwahati. However, through its Hub & Spoke model, it has expanded its footprint in various locations in Assam, enabling referrals for the hospital, along with providing diagnostic services.
- **High Competition:** Hospital industry in India is extremely fragmented, as evidenced by the large number of nursing homes and hospitals in the country. However, the internal channel of referrals of AHGPL through their own chain of diagnostic centres and tie ups with various agencies / institutions, coupled with state-of-the-art hospital infrastructure, could enable increase in patient base. Moreover, Guwahati being the gateway to the north eastern region, and easily accessible to adjacent countries like Bangladesh, Myanmar, Bhutan, there exists adequate scope for broadening their customer base.
- **Reputation Risk:** This is an inherent risk in the Healthcare industry, and any act of negligence by the Hospital staff, may tarnish the image of the Hospital.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES:

Positive Triggers

Factors that could lead to an upgrade in the ratings are:

1. An overall improvement in the operational performance resulting from diversified service offerings, while maintaining adequate liquidity.
2. Specific credit metrics that could lead to an upgrade include:-
ISCR greater than 1.5 and DSCR greater than 1.2 on a sustained basis
Improvement in Total Debt/Tangible Net Worth over the present levels to at least 1.8 on a sustained basis.

Negative Triggers

Negative pressure on the company's rating could arise:

1. If there is a deterioration in the company's liquidity position, delay in servicing of interest/installment obligations towards the lenders.



2. Specific credit metrics that could lead to a downgrade include:-
 - Decline in the sales vis-a-vis the projections by more than 10%.
 - Any deterioration in gearing beyond the present levels, and coverage ratios below 1.

LIQUIDITY POSITION: STRETCHED

The operational cash flows of AHGPL, though positive, are not adequate to meet the debt obligations up to FY 20. Receipt of subsidy under NEIIPP-2007 in FY 20, has taken care of its installment and interest obligations until June 2020, thereby easing its cash position in FY 20. However, during FY 21, the cash accruals of the company are expected to be enough to fulfill its interest as well as installment obligations, and accordingly, it is expected that the liquidity position of the company - although stretched at present on the operational front - would be adequate from FY 21, going forward. Cash and Cash Equivalents stood at a modest Rs. 3.71 crores on 31/3/19.

COMPANY'S PROFILE

Ayursundra Hospitals (Guwahati) Pvt. Ltd. (formerly known as Ayursundra Healthcare Pvt. Ltd.) was incorporated in December 2007. Recently, the name was changed to Ayursundra Hospitals (Guwahati) Pvt. Ltd. on 18/9/19. It runs under the directorship of Mr. Simanta Das and Dr. Abhijit Hazarika.

AHGPL started operations with diagnostic centres in Assam, since 2011. Subsequently, AHGPL set up a 272 bed Super Speciality Hospital with state of the art infrastructure, in Guwahati in December 2016, with specialisation in various disciplines such as Orthopaedics, Gastroenterology, Gynaecology, Medicine, Neurology, Cardiology, Oncology, Critical Care etc. It also has a Centre of Excellence in Orthopaedics and Gastroenterology.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY 19 (Audited)	FY 18 (Audited)
Operating Revenue	₹ Crs	61.58	47.44
EBITDA	₹ Crs	6.69	6.14
PAT	₹ Crs	(22.12)	(23.71)
Tangible Net worth	₹ Crs	46.18	48.77
Total Debt/Tangible Net worth	Times	2.38	2.46
Current Ratio	Times	0.40	0.27

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCIES :

- 1) India Ratings & Research downgraded Ayursundra Healthcare Pvt. Ltd. to “IND D” and migrated it to “Non-Cooperation” category on 26/12/18.
- 2) CRISIL migrated the rating of Ayursundra Healthcare Pvt. Ltd from “CRISIL B / Stable” to “CRISIL B/Stable, Issuer not Cooperating” on 20-04-2017, and subsequently downgraded it to “CRISIL D” on 31/12/2018.

RATING HISTORY FOR THE PREVIOUS YEARS:

Facilities	Current Rating (Dec 2019)			Rating History		
	Tenure	Amt (₹ Cr)	Rating	2018	2017	2016
Term Loan	Long Term	54.06	BWR B+, Stable	Not Applicable		
Cash Credit		3.00				
Overdraft		3.00				
Total		60.06 (Rs Sixty Crores and Six Lakhs Only).				

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](#)
- [Services Sector](#)
- [Default Recognition and Default Curing Period](#)

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Ayursundra Hospitals (Guwahati) Pvt. Ltd.

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank/NBFC	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	SBI	Term Loan	30.25	-	30.25
		Cash Credit	1.00	-	1.00
2.	PNB	Term Loan	6.93	-	6.93
		Cash Credit	2.00	-	2.00
3.	NEDFi	Term Loan	16.88	-	16.88
4.	HDFC	Overdraft	3.00	-	3.00
Total (Rupees Sixty Crores and Six Lakhs Only)					60.06

For print and digital media

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