

**RATING RATIONALE**

**Ayursundra Hospitals (Guwahati) Private Limited**

**Brickwork Ratings upgrades the ratings for the enhanced long term bank loan facilities of Ayursundra Hospitals (Guwahati) Private Limited(AHGPL or ‘the company’), aggregating Rs. 62.55 Crores, as per details below:-**

**Particulars:**

Facilities*	Amount (Rs. Cr)		Tenure	Rating**	
	Previous	Present		Previous (11-Dec-2019)^	Present (Mar 2021)
<b>Fund based</b>	60.06	<b>62.55</b>	<b>Long Term</b>	BWR B+ (Stable) Assigned	<b>BWR BB- (Stable) Upgraded</b>
<b>Total</b>	60.06	<b>62.55</b>	<b>Rs. Sixty Two Crores and Fifty Five Lakhs Only</b>		

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

\*\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

^Issue of Advisory for delay in rating review on 11/12/2020

**RATING ACTION: Ratings Upgraded**

BWR has essentially relied upon the audited financial statements of AHGPL upto FY20, relevant data - to the extent available - for the period 1/4/20 to 28/2/21, projected financials upto FY22, publicly available information, and information/clarifications provided by the company’s management and their lenders, to arrive at the present ratings.

The upgradation of the ratings to **BWR BB-(Stable)** for the bank loan facilities of AHGPL, factors in the improvement in its financial and operational parameters in FY 20 vis-a-vis FY 19. The ratings continue to derive 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, location of the hospital in Guwahati facilitating inflow of patients from the neighbouring countries of Bangladesh, Bhutan, and Myanmar, wide reach through its hub and spoke model of operations, as well as its comfortable working capital cycle and the defensive nature of the healthcare industry.

The ratings are, however, constrained by its modest coverage metrics, geographical concentration risk, as well as competition, and the reputation risk associated with the healthcare sector.

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 professional experience of the promoters, along with their technical and business knowledge, has enabled them to establish and manage the operations of a state-of-the-art Super Speciality Hospital in Guwahati.
- **Improvement in financial parameters:** The financial parameters of AHGPL have improved in FY 20 over FY 19, marked by total operating income of Rs. 67.08 Crores, EBIDTA of Rs. 13.27 Crores and net loss of Rs. 15.01 Crores, Net worth at Rs. 61.06 Crores in FY 20, compared to total operating income of Rs. 61.58 Crores, EBIDTA of Rs. 6.69 Crores and net loss of Rs. 22.12 Crores and Net worth at Rs. 46.18 Crores, in FY 19. Despite a net loss of Rs.15.01 Crores in FY 20, the net accruals stood positive at Rs. 2.80 Crores.
- **Super Speciality Hospital:** AHGPL is built as a Super Speciality Hospital, with diversified services. It specializes in various important disciplines like Orthopaedics, Gastroenterology, Nephrology, Gynaecology, Cardiology, Oncology, In Vitro Fertilization (IVF), Trauma, Emergency, Medicine, Critical Care, etc.
- **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:** The existing as well as upcoming alliances and tie-ups with TPAs, 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 the North East, it also caters to the requirement of the population of other states in the north east region 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 about health amongst people, demand for specialised medical services is bound to increase.



### **Credit Risks:**

- **Modest coverage metrics:** The debt service coverage indicators of AHGPL were moderate in FY 20, marked by ISCR of 1.24x and DSCR of 0.53x in FY 20. The coverage indicators have however improved as compared to FY 19 when they stood at 0.59x and 0.30x respectively.
- **Geographical Concentration Risk:** AHGPL has its presence only in Guwahati. However, through its Hub & Spoke model, it has expanded its footprint to 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. There are quite a few hospitals in the region offering similar facilities. 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, should enable an 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:**

#### **Upward Factors**

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

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

#### **Downward Factors**

Negative pressure on the company's rating could arise due to the following:

- Deterioration in the company's liquidity position, delay in servicing of interest/installment obligations towards the lenders.
- Specific credit metrics that could lead to a downgrade include:-
  - ❖ Non achievement of sales vis-a-vis projections on a continuous basis
  - ❖ Any deterioration in gearing beyond the present levels, and coverage ratios below 1.



### **LIQUIDITY POSITION: STRETCHED**

The liquidity position of AHGPL is stretched, characterised by low cash accruals vis a vis fixed debt obligations in FY20. The Company was able to meet its term debt obligations through capital subsidy received under NEIIPP-2007 in FY 20. The current ratio stood at 1.05x as on 31/3/2020.

Going forward however, the liquidity position of the company is expected to ease and it will be able to meet its debt obligations through internally generated cash accruals. The company is expected to generate cash accruals of Rs. 11.68 Crores in FY 21 and Rs. 19.72 Crores in FY 22 after having met their interest obligations, and yet be left with surplus to meet the debt obligations for the corresponding period. The Company had cash balances of ~Rs. 5.62 Crores as on 31 March 2020. Liquidity cushion was further provided by a Covid Term Loan of Rs. 3.50 Crores sanctioned by NEDFi in November 2020 to be disbursed in March 2021.

### **COMPANY'S PROFILE**

Ayursundra Hospitals (Guwahati) Pvt. Ltd. (formerly known as Ayursundra Healthcare Pvt. Ltd.) was incorporated in December 2007. Its 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, in 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**

<b>Key Financial Indicators</b>	<b>Units</b>	<b>FY 20 (Audited)</b>	<b>FY 19 (Audited)</b>
Operating Revenue	Rs. Crs	67.08	61.58
EBITDA	Rs. Crs	13.27	6.69
PAT	Rs. Crs	(15.01)	(22.12)
Tangible Net worth	Rs. Crs	61.06	46.18
Total Debt/Tangible Net worth	Times	1.55	2.38
Current Ratio	Times	1.05	0.40

### **KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:**

The terms of sanction include standard covenants, normally stipulated for bank loan facilities

### **NON-COOPERATION WITH PREVIOUS RATING AGENCY:**

- 1) India Ratings & Research has retained the ratings of IND D (INC) as on 3/11/2020 for bank loan facilities aggregating Rs. 97.19 Crores of AHGPL.
- 2) CRISIL has retained the ratings of CRISIL D (INC) as on 6/3/2020 for bank loan facilities aggregating Rs. 46 Crores of AHGPL.

**RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawals and suspensions):**

Facilities	Current Rating (Mar 2021)			Rating History								
	Tenure	Amt (Rs. Cr)	Rating	2020	11-Dec-2019	2018						
Fund Based (FB)	Long Term	62.55	BWR BB- (Stable) Upgraded for an enhanced amount	-	<table border="1"> <tr> <td>FB</td> <td>60.06</td> <td>BWR B+ (Stable)#</td> </tr> <tr> <td colspan="3">#Ratings Assigned</td> </tr> </table>	FB	60.06	BWR B+ (Stable)#	#Ratings Assigned			-
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#Ratings Assigned												
Total		62.55	Rs. Sixty Two Crores and Fifty Five Lakhs Only									

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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**Ayursundra Hospitals (Guwahati) Private Limited**

**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR**

Sl. No.	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	Term Loan**	56.55	-	56.55
2.	Cash Credit	3.00	-	3.00
3.	Overdraft	3.00	-	3.00
<b>Total</b>				<b>62.55</b>

\*\*Term Loan outstanding as on 28/2/2021



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