



## Rating Rationale

EMC Super Speciality Hospitals Pvt. Ltd

18 July 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 29.53 Crores of EMC Super Speciality Hospitals Pvt. Ltd.

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec,2017)	Present
Fund based	27.37	29.53	Long Term	BWR BB (Pronounced as BWR Double B) Outlook:Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable (Upgraded)
<b>Total</b>	<b>27.37</b>	<b>29.53</b>	<b>(INR Twenty Nine Crores Fifty Three Lakhs Only)</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

### Ratings: Upgraded

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon EMC Super Speciality Hospital Pvt Limited's (EMCSS) audited financials upto FY18 and projected financial statements for FY19 and FY20, publicly available information and information/clarifications provided by the management of the Company.

The ratings have factored the strength in the established track record , experience of the promoters , increased revenues on Y-o-Y basis, increased net profit margin , satisfactory interest coverage indicator, increased occupancy rate ,expansion of hospital facility in other states, joint venture with NASA spine and brain hospital in Jalandhar ,

The ratings are however constrained by an elongated working capital cycle, high gearing level and low net worth

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Going forward the the company's ability to enhance the revenues along with profits and profit margin , reduce the gearing by infusing own funds and expand the plan to extend services to army and prompt repayment of debt obligations would be the rating sensitivities

## **Description of Key Rating Drivers**

### **Credit Strengths:**

Hospital was established in the year 2003 ,experience of the promoters is about 2 decades in the same line of business, Revenues have increased from Rs 44.83 Crs in FY16, to Rs 49.89 Crs in FY17 to Rs 58.85 Crs in FY18 and about 40% of the revenues is realised from services to the Army.Net profit margin is increased from 2.69% in FY17 to 3.44% in FY18

Occupancy rate is at 89% in FY18 , increased from 79% in FY16 ,expansion of services in the states of Punjab, J&K, Haryana and Himachal Pradesh,Joint venture entered into with NASA on 25.8.2017 for cardiology services

### **Credit Risks:**

Working capital Cycle is elongated to 126 days in FY18 as the hospital is dealing with cashless treatment on behalf of insurance companies and various health schemes of the Govt

Gearing is at 2.71x in FY18 Debt-based CAPEX in the last three years. Net worth is Rs12.93 Crs in FY18

## **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 **EMC Super Speciality Hospitals 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**

EMC Super Specialty Hospital Pvt Ltd. was incorporated in 2003 with registered office in Punjab, Himachal Pradesh and Chandigarh. The company has one super-specialty and two multi specialty hospitals located in Amritsar, Punjab. The hospital has total installed bed capacity of 380 beds with occupancy rate of 89% as on March 2018. About 40% of the hospital's revenues are from services to the Army. EMC has further expanded its services to the Army in the states of Jammu & Kashmir, Haryana and Himachal Pradesh.

The hospital has entered into a joint venture with NASA brain and Spine hospital for supply of Cardiology services for which it will receive 50% of the receipts of NASA from this department. The hospital currently has 720 permanent employee and 45 contractual employees.

The hospital has plans to expand its ICU and CCU by adding 50 new beds at a total cost of Rs.4.06 crs.



The hospital has recently received certification from National Accreditation Board for Hospitals and an ISO: 9001 2008 Certification.

EMCSS is headed by Mr. Pawan Arora and Dr. Rajinder Singh (Medical Director, Senior Consultant and Medical Superintendent). Mr. Singh has more than three decades of experience in the healthcare sector.

### Company Financial Performance

EMCSS reported a revenue of Rs.58.85 crs in FY18, up from Rs.49.89 crs in FY17. Operating profit increased to Rs.10.93crs in FY18 from Rs10.35 crs in FY17. PAT inched up to Rs. crs in FY17 from Rs.0.11 crs in FY16. Net worth has increased to Rs.7.24 crs in FY17 from Rs.6.58 crs in FY16. As per FY18 (prov.), total operating income increased by 28% y-o-y to Rs.22.37 crs with increased sales volume.

### Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	13.12. 2017	11.,7. 2016	2015
	<b>Fund Based</b>	Long Term	29.53	<b>BWR BB+ (pronounced as BWR Double B Plus) (Outlook:Stable) Upgraded</b>	<b>BWR BB (BWR Double B) (Outlook:Stable) (Upgraded)</b>	<b>BWR BB- (BWR Double B Minus) (Outlook:Stable) (Assigned)</b>	<b>Not Rated</b>
	<b>Total</b>		<b>29.53</b>	<b>(₹ Twenty Nine Crores and Fifty three Lakhs Only)</b>			

*Status of non-cooperation with previous CRA -Crisil suspended its ratings of B+ on Dec 27, 2016*

**Any other information-NIL**



### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Aud.	Aud.
Operating Revenue	Rs. in Crs	58.85	49.89
EBITDA	Rs. in Crs	10.93	10.35
PAT	Rs. in Crs	2.03	1.34
Tangible Net worth	Rs. in Crs	12.93	10.91
Total Debt/Tangible Net worth	Times	2.71	4.20
Current Ratio	Times	3.13	1.97

### 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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For print and digital media

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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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.

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