



Rating Rationale

S V S Hospitals Pvt. Ltd

14th December 2017

Brickwork Ratings assigns “BWR BB- (Stable)” for the Bank Loan facilities of Rs. 12.04 Crs of S V S Hospitals Pvt Ltd (‘SVSHPL’ or ‘the Company’)

Particulars

Facility Rated	Amount (Rs. Crs)#	Tenure	Rating [^]
<u>Fund Based</u>			BWR BB- (Pronounced BWR Double B Minus)
Term Loan	10.04*	Long Term	Outlook: Stable Assigned
Overdraft	2.00		
Total	12.04 (INR Twelve Crores and Four Lakhs Only)		

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank wise facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities

BWR has principally relied upon the audited financials upto FY17, financial projections upto FY19, publicly available information and information/clarifications provided by the management.

The rating draws comfort from the experience of the promoters in the healthcare industry and experienced team of doctors. The rating, however, is constrained by the below average financial risk profile marked by small scale of operations, high gearing, and stretched liquidity, competition from other established players in the healthcare industry and geographical concentration.

Going forward, the ability of the Company to increase its scale of operations, strengthen its credit profile and manage its working capital requirements effectively would be the key rating sensitivities.

Analytical approach

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).

Key Rating drivers

- **Experienced promoters and management team:**
The promoters have vast experience in the healthcare industry spanning over three decades and the hospital is well equipped and has an experienced team of 25 doctors.
- **Small scale of operations and below average financial risk profile**
In FY17, the Company reported net revenue of Rs.19.82 Crs as against Rs.11.88 Crs in FY16. For 7MFY16, SVSHPL reported net loss of Rs.2.29 Crs. Similarly, in FY17, the Company reported net loss of Rs.2.17 Crs, mainly on account of non-recurring expenditure of Rs.0.85 Crs towards advertising and health camps for promoting the hospital and its services. Due to debt-funded capex for setting up the hospital, SVSHPL's overall gearing was high at 2.81 times as on March 31, 2017 as against 2.60 times as on March 31, 2016. ISCR and DSCR for FY17 were moderate at 1.64 times and 1.01 times respectively. SVSHPL's Current Ratio was low at 0.43 times as on March 31 2016 times vis-à-vis 0.12 times as on March 31 2016 due to stretched cash conversion cycle.
- **Competition from other established players in the healthcare industry**
The healthcare industry consists of a large number of organised and unorganised players. SVSHPL faces stiff competition from various hospitals in Hyderabad.

Rating Outlook: Stable

BWR believes 'SVSHPL's 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

S V S Hospitals Pvt Ltd was incorporated on 26th March 2007 at Hyderabad. It is promoted by Dr.D.Sreedhar, a neurophysician, and commenced its operations in August 2015. S V S Hospitals Pvt Ltd provides healthcare services through its unit SVS Institute of Neurosciences, which is a 125 bed Neuro and polytrauma super specialty tertiary care centre with average bed occupancy rate of 42% for FY17. The main specialties of the hospital are Neurology, Neurosurgery, Paediatrics Neurology, Pain Management, Ortho & Spine Surgery, Pulmonology, Interventional Radiology, Radiology, Gen. Surgery, Psychiatry, Internal Medicine and Critical Care Management. The company offers an array of medical services ranging from Preventive to Curative to Consultancy.

Financial Performance

SVSHPL reported Net Revenue of Rs.19.82 Crs. and net loss of Rs.2.17 Cr. for FY17 as against Net Revenue of Rs. 11.88 Crs and net loss of Rs.2.29 Crs for FY16. Tangible Networth was Rs.7.53 Crs as on March 31 2017. For 8MFY18, the Company reported provisional revenue of around Rs.18.56 Crs.



Rating History for the last three years:

Instrument/ Facility	Current Rating (December 2017)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2016	2015	2014
<u>Fund Based</u>						
Term Loan	Long Term	10.04	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable Assigned	Not Rated	Not Rated	Not Rated
Overdraft		2.00				
Total		12.04 (INR Twelve Crores and Four Lakhs Only)				

Status of non-cooperation with previous CRA: Not Applicable

Any other Information: Not Applicable

Hyperlink/Reference to applicable Criteria

[General Criteria](#) [Approach to Financial Ratios](#)

[Services Sector](#)

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Annexure I – Details of Rated Facilities

Name of Bank	Bank Facilities	Type of Facility	Tenure	Amount (Rs. Crs)
Punjab National Bank, Kukatapally, Hyderabad Branch	Term Loan	Fund Based	Long Term	10.04
	Overdraft			2.00
Total				12.04

Annexure II Key Financial Indicators

	FY16 (A)	FY17 (A)
Net Sales (Rs. Cr)	11.88	19.82
EBITDA (Rs. Cr)	1.55	4.11
PAT (Rs. Cr)	(2.29)	(2.17)
Tangible Networth (Rs Cr)	6.19	7.53
Total Debt: TNW (Times)	2.60	2.81
Current Ratio (Times)	0.12	0.43

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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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