

RATING RATIONALE

12 July 2022

Santokba Durlabhji Trust

Brickwork Ratings reaffirms the rating for the Bank Loan facilities of Rs. 60.10 Crs of Santokba Durlabhji Trust.

Particulars

Facility*	Amount (Rs. Cr)		Tenure	Rating#	
	Previous	Present		Previous (15th April 2021)	Present*
Fund Based					
Cash Credit	4.50	-	Long Term	BWR BBB+ (Stable) (Reaffirmation)	BWR BBB+ (Stable) (Reaffirmation)
Term Loans	19.31	23.29			
LAP	19.50	15.11			
OD against FD	33.05	21.70			
Total	76.36	60.10	Rupees Sixty Crores & Ten Lakhs Only		

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

* Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Santokba Durlabhji Trust (SDT or the trust) runs the Santokba Durlabhji Medical Hospital (SDMH), a 531 bedded hospital, which is the largest private hospital in Jaipur, Rajasthan. The reaffirmation in the rating of SDT factors in its comfortable financial risk profile, as indicated by a comfortable debt protection metrics and low gearing, owing to a large net worth. The rating further takes into account the long operational track record of the SDMH which has over 272 qualified doctors on its rolls. The rating, however, remains constrained by the continued delay in obtaining regulatory approvals for inducting students in a nursing degree course despite the trust having already incurred significant capital expenditure in the college infrastructure. Further, generic challenges in the hospital industry such as the criticality of retaining top doctors, managing attrition in the staff etc. remain key credit risks.

OUTLOOK: STABLE

BWR believes that the business risk profile of Santokba Durlabhji Trust 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.

KEY RATING DRIVERS

Credit Strengths:-

- **Improvement in Revenue :**

The total operating income has substantially increased in FY22 (Prov) to Rs. 251.53 Crs from Rs. 178.44 Crs in FY21. The increase in revenue is partly contributed by an increase in sales of medicines, increase in hospital revenue and revenue from the nursing school and the PG courses. There was also a substantial increase in donations received during FY22 (Prov). The revenue is expected to increase over the medium term.
- **Comfortable Financial Risk Profile:**

Operating margins (OPM) and Surplus margins (NPM) increased at 11.22% and 3.72% respectively in FY22 (Prov) as compared to 7.11 % and -2.03% respectively in FY21(A). Debt protection matrix stood moderate with ISCR and DSCR at 6.76 x & 3.52 x respectively in FY22 (Prov). Gearing ratio was comfortable at 0.57x in FY22 (Prov). Net cash accruals (PAT+Dep.) for FY22 (Proj) at Rs. 26.54 Crs and Rs. 26.21 Cr in FY23 (Proj) are adequate to meet the maturing debt obligation for FY22 and FY23. Net cash accruals/ total debt ratio stood at 0.28x in FY22 (Prov).
- **Established track record:**

Established in 1971, SDMH is the largest multidisciplinary private hospital in Jaipur with an operating capacity of 531 beds. The hospital has over 40 departments, a team of 272 on roll doctors and 127 visiting doctors. However, the average bed occupancy for FY21 reduced sharply to 50% against 71.92% in FY20 owing to COVID-19 related disruptions. Number of patients visiting the hospital stood 2.06 Lakhs for FY21 as compared with 3.55 Lakhs in FY20.
- **Healthy demand in healthcare services:**

The receipts from hospital operations of SDMH have contributed ~ Rs 203.68 Crs in FY22(Prov) as compared to Rs. 157.22 Cr in FY21 . The trust also runs a nursing college which contributed to a revenue of Rs. 2.66 Crores in FY22 (Prov) as against Rs. 1.87 Crores in FY21.

Credit Risks:-

- **Regulatory Risks:**

The educational institutes and hospitals are required to comply with a number of guidelines/rules such as fee structure, complying with infrastructural standards, minimum number of resident doctors and faculty members and minimum bed occupancy at the hospital. As a result, the colleges under the trust run a risk of not getting permissions for student admissions, imposition of financial and other penalties, risk of downgrading by accrediting agencies etc.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The rating of SDT is arrived at on a standalone basis after independent evaluation of its financial risk profile.

RATING SENSITIVITIES

Going forward, the ability of the trust to keep improving and sustaining the revenue, financial risk profile marked by net surplus, debt protection metrics and liquidity position would be the key rating sensitivities.

Upward: The rating may be upgraded if the trust is able to substantially improve upon its revenues, net surplus and debt protection metrics in the coming financial year, while also maintaining adequate liquidity at all times, besides receiving the requisite approvals for the nursing college and operationalising the same within the timelines specified by the lenders.

Downward: The rating may be downgraded if the trust's revenues decline in the medium term and if there is a significant impact in the debt serviceability leading to a liquidity crunch.

Liquidity Position- Adequate

Liquidity of the trust is adequate as indicated by its moderate net cash accruals (PAT+Dep) of Rs 26.54 Crs in FY22 (Prov) and Rs. 26.21 Crs in FY23 (Proj) as against the repayments of Rs 11.19 Crs and Rs. 11.99 Crs (projected for FY23) respectively. The trust has made the current investment in the form of FDs of Rs. 47.09 Crs against which it has availed OD Limit of Rs. 21.70 Crs in FY22 (Prov) which is utilized at an average of 90%; although some of the FDs are also liened as security to government departments etc. The trust has no plans for any debt funded capex in the medium term and hence all the internal accruals are expected to be utilized for making repayments of its maturing term loan obligations.

PROFILE

SDT founded SDMH Jaipur in 1971. SDMH is a private, trust-managed, autonomous, fee-for-services and not-for-profit hospital. It is a multidisciplinary, 535-operating bed, tertiary care hospital. It houses several wards, operation theaters, ICUs, laboratories, utility services, specialties and super specialties, catering to the entire state of Rajasthan and to the neighboring states as well. The hospital has 40 departments, a team of 259 on roll doctors and 129 visiting doctors and over 3 lakhs of total patients visiting the hospital in FY22. The hospital is accredited with National Accreditation Board for Hospitals & Healthcare Providers ((NABH) and National Accreditation Board for Testing and Calibration Laboratories. It has empanelled 30 TPAs and 4 organizations for rendering uninterrupted services to the patients coming through this channel.

KEY FINANCIAL INDICATORS (in (Rs. Cr) [AS AVAILABLE WITH BWR]

Key Parameters	Units	FY 21	FY 20
Result Type		Audited	Audited
Total Receipts	Cr	178.44	197.03
Operating Surplus	Cr	12.69	13.64
Net Surplus	Cr	-3.62	1.84
Corpus Fund	Cr	113.18	117.03
Total Debt/Corpus Fund	times	0.62	0.49
Current Ratio	times	0.93	0.80

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY for last three years (including suspension and withdrawals)

Instrument / Facilities	Current Rating (2022)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (Rs. Cr)	Rating	15/04/2021	12/02/2020	31/05/2019
Fund Based Term Loans LAP OD against FD	Long Term	23.29 15.11 21.70	BWR BBB+ (Stable) Reaffirmation	BWR BBB+ (Stable) Reaffirmation	BWR BBB+ (Stable) Reaffirmation	BWR BBB+ (Stable) Reaffirmation
Total		60.10	Rupees Sixty crore and ten lakhs			

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](#)

[Criteria-Services Sector](#)

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ANNEXURE I
Santokba Durlabhji Trust
Details of Bank Facilities rated by BWR

S.No	Name of the Bank	Type of Facilities	Long Term [Rs. Cr]	Short Term [₹ Cr]	Total [Rs. Cr]
1	Union Bank of India	Fund Based Term Loans LAP OD against FD	 23.29 15.11 21.70	 \ -	 60.10
		TOTAL			60.10

Rupees Sixty crores and ten lakhs.



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