



RATING RATIONALE

15 Apr 2021

Santokba Durlabhji Trust

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 76.36 Crores of Santokba Durlabhji Trust

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb 2020)	Present
Fund Based					
Cash Credit	10.00	4.50	Long Term	BWR BBB+ (Stable)	BWR BBB+ (Stable) Reaffirmed
Term Loans	31.57	38.81			
OD- Against FD	26.92	33.05			
Total	60.43	76.36	Rupees Seventy Six Crores & Thirty Six Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

RATING ACTION/ OUTLOOK

Santokba Durlabhji Trust (SDT or the trust) runs 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 its comfortable debt protection metrics and low gearing owing to a large net worth. It is noted that SDMH was severely affected during the Covid induced lockdown in Q1FY21 resulting in almost a complete washout in revenues. The hospital operations returned to normalcy in Q3-Q4FY21 which helped the trust in surpassing the projected revenues of Rs 161 Crs by a fair margin. 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 uncertainties due to increasing COVID-19 infections which may result in imposition of fresh restrictions by the state government and hence impacting the hospital operations in FY22 as well. The rating also factors in 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.

Rating Outlook: Stable

BWR believes that the **Santokba Durlabhji Trust'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 surplus



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

Description of Key Rating Drivers

Credit Strengths:

- **Comfortable Financial Risk Profile:** SDT's revenues increased marginally by ~3% in FY20 while its operating margins and cash accruals remained comfortable to service interest and loan repayments. ISCR and DSCR stood robust at 7.24x & 3.91x respectively in FY20. Its gearing was comfortable at 0.93x whereas net debt to EBITDA ratio remained close to ~1x in FY20 due to high cash balance and current investments. Further, the trust's nursing college project with an investment of ~ Rs 50 Crs is funded with a Debt:Equity ratio of 0.6x only as against the envisaged D:E ratio of ~2x when the project started. As the hospital operated at ~15% of its normal capacity in Q1FY21, its 9MFY21 revenues declined to Rs 119.39 Crs against Rs 154.60 Crs in 9MFY20. Anticipating a large cash deficit in FY21, the trust raised a long term loan of Rs 19.50 Crs, however, as the situation improved in H2FY21, it did not avail this loan fully. The trust had adequate liquidity as per the provisional balance sheet for Dec'20 marked by cash balance of more than 10 Crs. The cash surplus in FY21 is estimated at Rs 8 Crs.
- **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 9MFY21 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 9MFY21 as compared with 3.55 Lakhs in FY20.
- **Expected recovery in FY22:** Healthcare demand is expected to rebound as the vaccinations will likely reduce COVID-19 infections and requirement for hospitalisation, leaving strong headroom of growth in Non-COVID care. The trust is projecting an increase in revenues of ~30% in FY22.

Credit Risks:

- **Delay in obtaining approval for Nursing College degree program:** As a funnel for sourcing trained staff and controlling the attrition rates among nurses, the trust had planned a nursing college project a couple of years back. The approval for the degree course in nursing was anticipated in the year 2018. However, the same has not been received till date which has rendered the building being used sub-optimally. Although the proposed fee receipts of these courses are minuscule as compared to hospital's revenues and the hospitals' accruals in itself are sufficient to meet the debt repayments, there still remains a moderate risk of this large investment going obsolete, in case the trust fails to utilise this asset optimally.



- **Increased government authority under the National Disaster Management Act:** Due to the ongoing rise in the COVID-19 cases in the country, several state governments are imposing stricter measures to control the spread. Having invoked the National Disaster Management Act since the beginning of the pandemic, the governments may announce stricter regulations such as increasing the beds capacity for COVID-care and even taking full control of operations of these hospitals in the worst-case scenario. This poses mild to moderate risks on the operations of private hospitals and will remain a key rating monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The rating of Santokba Durlabhji Trust is arrived at on a standalone basis after independent evaluation of its financial risk profile. 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 SENSITIVITIES

Positive: The ratings may be upgraded if the trust is able to increase its corpus, income and net surplus by over 30% each in FY22 over the FY20 levels, along with significant improvement in its debt protection metrics and other financial parameters, besides receiving the requisite approvals for the nursing college and operationalising the same within the timelines specified by the lenders.

Negative: The ratings may be downgraded if approvals for the nursing college are not received within the timelines specified by the lenders and there is a significant impact in the debt serviceability leading to a liquidity crunch or an unforeseen circumstance resulting in more than ~20% downside in revenues in FY22. Rating may also be downgraded if the net loss widens in FY22.

LIQUIDITY POSITION: ADEQUATE

Adequate liquidity is indicated by current investments of ~ Rs 45 Crores as on 31Dec'20 against which the trust has availed an OD limit of Rs 33.05 Crs which is utilised at an average of ~ 90%, although some of the FDs are encumbered as security deposits to government departments etc. Further, the trust had a cash balance of more than 10 Crs as on 31Dec'20. Although the trust had availed COVID related moratorium in servicing its debt repayments for a 6 month period between Mar-Aug'21, it has been servicing its installments regularly thereafter. Expected cash accruals in FY22 seem adequate to service the maturing repayments of the existing loans.

PROFILE

SDT founded SDMH in 1971. SDMH is a private, trust-managed, autonomous, fee-for-services and not-for-profit hospital. Being the largest private hospital in Jaipur, it houses several wards, operation theatres, ICUs, laboratories, utility services, specialties and super specialties, catering to the entire state of Rajasthan. The hospital has 40 departments, a team of 272 on roll doctors and 127 visiting doctors and over 3.5 lakhs of total patients visiting the hospital in FY20. The hospital is accredited with National Accreditation Board for Hospitals & Healthcare Providers (NABH) and National Accreditation Board for Testing and Calibration Laboratories. Santokba

Durlabhji trust also runs post-MBBS DNB & FNB programmes with 20-25 number of students specialising in various fields. Its trustees, members of the Durlabhji family are associated with the trust for over four decades.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2020	2019
Result Type		(A)	(A)
Operating Revenue	Rs in Crs	197.03	192.59
Operating Surplus	Rs in Crs	13.64	15.08
Net Surplus	Rs in Crs	1.84	3.06
Corpus Fund	Rs in Crs	117.03	115.07
Total Debt/Corpus	Times	0.49	0.42

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NONE

RATING HISTORY FOR LAST THREE YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Instrument /Facility	Current Rating				Rating History					
	15 Apr 2021				12 Feb 2020		31 May 2019		05 Mar 2018	
Bank Loan Rating	Type (Long Term/Short Term)	Facility	Amount (₹ Crs)	Rating	Amount (₹ Crs)	Rating	Amount (₹ Crs)	Rating	Amount (₹ Crs)	Rating
		Long Term	Fund Based	76.36	BWR BBB+ /Stable	68.49	BWR BBB+ /Stable	60.43	BWR BBB+ /Stable	54.00
Total			76.36	₹ Seventy Six Crores & Thirty 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](#)

Analytical Contacts	
Sumit Saharan Primary Analyst Board: +91-172-5032295 Ext: 104 [Email Address: sumit.s@brickworkratings.com]	Ashwini Mital [Director – Ratings] Board: +91-172-5032295 Ext: 102 [Email Address: ashwini.m@brickworkratings.com]
1-860-425-2742 media@brickworkratings.com	

Santokba Durlabhji Trust

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Term Loans (Outstanding)	38.81	-	38.81
2	Overdraft- Against FD	33.05	-	33.05
3	Cash Credit	4.50	-	4.50
TOTAL		76.36	-	76.36

Total Rupees Seventy Six Crores & Thirty Six Lakhs Only.



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. 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.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect,



incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.