

Rating Rationale

Brickwork Ratings reaffirms 'BWR BB' for the Bank Loan Facilities aggregating ₹ 9.24 Cr of Spine Arthroscopic and Joint Replacement Centre Private Limited.

Brickwork Ratings (BWR) has reaffirmed the following Ratings¹ for Bank Loan Facilities amounting to ₹ 9.24 Cr of Spine Arthroscopic and Joint Replacement Centre Private Limited. ("SAJRCPL" or "the Company")

| Facility Fund Based | Previous Limits (₹ Crs) | Present Limits* (₹ Crs) | Tenure | Previous Rating | Present Rating |
|---------------------|-------------------------|-------------------------|---|---|--|
| SOD(M) | 0.50 | 0.50 | Long Term | BWR BB (Pronounced BWR Double B) (Outlook : Stable) | BWR BB <i>Reaffirmed</i> (Pronounced BWR Double B) (Outlook : Stable) |
| Term Loan | 8.34 | 7.82 | | | |
| Mortgage- Loan | 1.00 | 0.92 | | | |
| Total | 9.84 | 9.24 | (INR Nine Crores and Twenty Four Lakhs Only) | | |

Term Loans O/s as on 22/03/2016

BWR has essentially relied upon the Company's Audited financial results of FY15, estimated projected financials of FY16, publicly available information and the information/clarifications provided by the Company.

The ratings draws comfort from the qualified & experienced promoters-doctors and other than Doctors, satisfactory infrastructure with wide network of service offered and experienced team of doctors, empanelment with various government/corporate and tie-ups with insurance companies. The ratings are, however, constrained by small scale of operations, Capital intensive nature of operations, moderate network, reduced operating profit margin and inadequate liquidity profile.

Background:

Ortho one Hospital, a unit of Spine Arthroscopic and Joint Replacement Centre Pvt Ltd was founded in 2007 by Dr. David V. Rajan along with Dr. K. Vinodh, and Dr. Clement Joseph, commenced its activity in 2010. SAJRCPL was incorporated as a private limited company in the year 1997. Hospital provides service in the sub-specialties of Sports Medicine, Arthroscopy, Joint Replacement Surgery, Pediatric Orthopedics, Spine Surgery, Trauma and Fractures, Limb Deformity Correction, Knee reconstruction and Arthroplasty, shoulder Service. Spine & Scoliosis Surgery, Deformity Correction. SAJRCPL facilities of the company are ISO 9001:2008. The hospital is equipped with qualified & experienced doctors/surgeons. Hospital has set up with 24+ bedded, offering advanced medical care and emergency services. The hospital offers inpatient, outpatient both for domestic and international patient- care which covers a wide range of medical and surgical specialties offered by a team of super specialist Doctors, experienced nurses, paramedical and medical technicians and support staff.

¹Please refer to www.brickworkratings.com for definition of the Ratings

The hospital also has tie-ups with government organisations and corporates who have a presence in and around Coimbatore in addition to TPAs with most of the private insurance companies. The Hospital is also a 'Learning Centre in Advanced Arthroscopy' which is a Post Graduate Fellowship Selection center for ISAAKOS (International Society for Arthroscopy, Knee Surgery and Orthopedic Sports Medicine) and Tamil Nadu Dr.MGR Medical University, Chennai (Arthroscopy & Sports Medicine and arthroplasty).

Management Profile:

Dr. David V. Rajan, MS (Orth), MNAMS (Orth), FRCS (G) is the Managing Director and he is exclusive Arthroscopic Surgeon. The latest award which he received was the "Best Doctor – Tamil Nadu Medical Council Award 2014" and "Life Time Achievement Award" from Indian Medical Association and Orthopedic Society of Coimbatore in July 2014. Mrs. Suneetha Rajan and Dr. K. Vinodh, are other directors of the company

Financial Performance:

During FY15, SAJRCPL registered OPBDIT and PAT of Rs.4.24 crore and Rs.1.74 crore on a total operating income of Rs.20.60 crore as against OPBDIT and PAT of Rs.3.86 crore and Rs.0.74 crore on a total operating income of Rs.18.14 crore in FY14. As on 31st March 2015 Company's Tangible Net-worth stood at Rs.9.43 Crs Coupled with Debt/Equity ratio of 1.07 times. Company's operating profit margin, net profit margins recorded at 20.59%, 8.43% respectively and Current ratio stood at 0.63 times in FY15.

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, ability to sustaining and improving its operational performance, profitable scale-up the operations, maintain high service quality, achieve higher occupancy level, ensure timely debt servicing, healthy revenue growth and capital structure would be the key rating sensitivities

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