## Rating Rationale

**Brickwork Ratings assigns 'BWR B' rating for the Bank Loan Facilities aggregating ₹8.40 Cr of Sri Bala Medical Centre and Hospitals Pvt. Ltd.**

Brickwork Ratings (BWR) has assigned the following **Rating**[1] for the Bank Loan Facilities of ₹ 8.40Cr of Sri Bala Medical Centre and Hospitals Pvt. Ltd **(*'Company'*).**

| Facilities | Amount (₹ Cr) | Tenure | Rating |
|---|---|---|---|
| **Fund Based Limits** | | | |
| Working Capital | **0.40** | **Long Term** | **BWR B**<br>(Pronounced as BWR Single B)<br>**(Outlook: Stable)** |
| Term Loans | **8.00** | | |
| **Total** | **8.40** | **INR Eight Crores and Forty Lakhs only** | |

BWR has essentially relied upon the audited financial results of the firm up to FY15, projected financials up to FY-17, publicly available information and information/clarifications provided by the Company's management.
The ratings are constrained below average financial profile marked by declining profitability margins, low tangible net worth leading to high gearing level and inadequate liquidity position. However, the rating draws comforts from the extensive business experience of the Chairman, experienced and qualified Permanent & Visiting doctors and past track record of the hospital in quality of treatment.

**Background**:
M/s Sri Bala Medical Centre and Hospitals Pvt Ltd incorporated in April 2002, located at Coimbatore, Tamil Nadu. Company consists of one multi-specialty hospital in the name of "*Sri Bala Medical Centre and Hospitals (Hospital)*". Dr. Bala Sanmugha Sundharam, Chairman has an experience of over 4 decades in the industry. The other directors of the Company are family members.

**Facilities & Services offered at Hospital**:
Hospital Consists of 60 bed capacity and it is reported that the hospital excels in delivering affordable and qualitatively superior healthcare. Hospital offers services in 14 specialized departments which are equipped with the most advanced and dedicated critical care unit. Hospital is mainly specialized in the departments of Surgical Gastroenterology and Advanced Laparoscopic Surgery. Hospital includes the facilities of Operation Theaters (Major and Minor), 24*7 Pharmacy & Ambulance, Diagnostic Centre, Digital X-Ray Centre, Laboratory, General wards, Special wards & ICU wards, Emergency, Outpatient Department, Etc.,

[1] ***Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings***

Currently, hospital's occupancy rate is at 50%. On average 300 patients register in OPD t per week and ~20 Operations are conducted.

**Financial Performance:**

As per FY15 audited financials, net revenue has marginally improved from Rs.1.47 Cr in FY14 to Rs.1.54 Cr in FY15. Both, operating and net profitability margins have declined from 21.59% & 18.79% in FY14 to 18.73% & 9.04% in FY15. Tangible Networth (TNW) improved from Rs.0.95 Cr in FY14 to Rs.2.89 Cr in FY15 mainly due to infusion of capital to an extent of Rs.1.82 Crores and retention of profits. Overall gearing level reported in FY15 is at a high level & Long term debt/TNW also reported at a high level i.e. at 2.36X indicating company is dependent on external borrowings.

Company had availed a fresh term loan of Rs.8.00 Cr for purchasing an old building which is nearby to the existing hospital (~200mts far) and being renovated. Company has completely availed entire term loan as on date and repayment obligations will commence from April 2017 onwards.

**Rating Outlook:**

The Outlook is expected to remain stable over the next one year. Going forward, the ability of the company to improve the occupancy rate thereby resulting in higher scale of operations and better cash-in-flows, to bring down the gearing level and to maintain the quality treatment to the patients will remain the key rating sensitivities.

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