Rating Rationale

AKS Medical & Research Centre Private Limited

22 December 2020

Brickwork Ratings reaffirms ratings for Bank Loan Facilities of Rs 79.15 Crs of AKS Medical & Research Centre Private Limited

Particulars

Facility**	Amount (Rs in Crs)		Tenure	Rating*	
	Previous	Present		Previous (Oct, 2019)	Present
Fund Based	50.00	79.15	Long Term	BWR BB+ (Stable)	BWR BB+ (Stable) (Reaffirmation)
Total	50.00	79.15	Rupees Seventy Nine Crores and Fifteen lakh Only.		

* Please refer to the BWR website www.brickworkratings.com/ for the definition of the ratings.
** Details of bank facilities are mentioned in Annexure-I.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed the long-term rating at BWR BB+ (Stable) for the bank loan facilities of AKS Medical & Research Centre Private Limited (AKS or the company).

The rating reaffirmation factors in experience of the experience of the promoters and support from parent company M/s Yatharth Hospital & Trauma Care Services Private Limited. (rated BWR BBB- (Stable) dated 07.09,2020), besides reasonable infusion of equity in FY20 and improvement in revenue in 7MFY21. However, the ratings are constrained by nascent stage of operations, expected increase in gearing ratio and regulated nature of healthcare operations , besides geographical concentration risks and competition.

The Outlook is Stable as the company has been able to register revenue growth driven by increasing occupancy levels due to increase in Covid-19 patients even as there was a demand contraction for other healthcare services due to deferment of elective surgeries etc.

KEY RATING DRIVERS

BWR has principally relied on audited financials upto FY19, FY20 provisional financials, projections upto FY23, publicly available information and information/clarification provided by the management.

Credit Strengths :

- **Experienced promoters :** Key promoters of the hospital, Mr. Kapil Tyagi and Mr. Ajay Tyagi are orthopedic surgeons and have over 20 years of experience and they are being supported by Dr. Neena Tyagi & Dr. Manju Tyagi (promoters of parent company).

- **Improvement in revenue :** The company registered revenue (hospital receipts) of Rs 13.02 Crs in FY20 (provisional). The hospital building became operational from May 19 and thus has low revenue in FY20, which was the first year of operations. AKS has achieved revenue of Rs 50.88 Crs in 7MFY21 due to increase in occupancy led by Covid-19 patients and expected to achieve over Rs 90 Crs in FY21.

- **Support from parent company :** The parent company i.e Yatharth Hospital and Trauma Care Services Private Limited (YHTCSPL) has major shareholding (77.44%) in the subsidiary and also given corporate guarantee to AKS Medical & Research Centre Private Limited.

Credit Concerns :

- **Nascent stage of operations:** The hospital is at a nascent stage of operations and thus had below average financial risk profile in FY20. AKS had weak ISCR ratio of 0.81x in FY20 (provisional) and had negative net profit margins of -(6.49)% due to high finance charges and low revenue in FY20 and met its debt servicing requirements through equity infusion of Rs 10.89 Crs in FY20 (provisional). However AKS has an operating margin of 27.85% as per FY20 provisional financials and it is to be noted that FY21 would be the first full year of operations with expected occupancy of above 80%, and booked Rs Rs 50.88 Crs revenue till 7MFY21.

- **Uncertainty of revenue growth in medium to long term :**The revenue of the company has improved significantly in the short term due to increase in occupancy led by Covid-19 patients. There is possibility of decline in monthly revenue with the expected decline in Covid 19 patients once the vaccine would be available.

- **Moderately high leverage position :** The AKS had gearing of 1.96x in FY20 (provisional) against 1.87x in FY19. The total debt increased from Rs 46.48 Crs in FY19 to Rs 71.79 Crs in FY20 (provisional).The gearing is expected to marginally deteriorate with the projected increase in loans in FY21.

- **Geographical concentration risks and competition :** The hospital operations are localised and limited to Noida and Greater Noida region limiting the revenue visibility to an extent due to dynamics of a single market. Further, intense competition from peers and other big players in the region may affect the scalability of operations and profitability in medium to long term.

- **Government Regulations:** Hospitals have to comply with various government guidelines on pricing of the medical devices and also disposal of solid waste. Any non compliance may have adverse implications on the working of the hospitals.

ANALYTICAL APPROACH

BWR has factored in the standalone business parameters and financial risk profile of the trust to arrive at the rating. Reference may be made to the detailed Rating Criteria hyperlinked below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: The outlook may be revised to positive or the rating may be upgraded if the company sustains the growth in revenue, besides improvement in its debt protection metrics.

Negative: BWR may revise the ratings downwards if the company achieves notably lower revenue than expected and deterioration in debt protection metrics and liquidity.

LIQUIDITY POSITION (Adequate) :

The company had negative cash accruals of Rs-(0.84) Crs in FY20 against CPLTD (current portion of long-term debt) of Rs 2.61 Crs, however promoters have infused equity of Rs 10.89 Crs in FY20 to maintain the required liquidity. As advised, the promoters are expected to infuse approximately Rs 4 Crs in FY21. BWR is expecting cash accruals of more than Rs 8.00 Crs against CPLTD of approximately Rs 6.07 Crs.

ABOUT THE COMPANY

AKS Medical & Research Centre Private Limited is registered at New Delhi. The company has been promoted by parent company 'Yatharth Hospital & Trauma Care Services Private Limited(YHTCSPL), Dr. Ajay Tyagi, Dr Kapil Tyagi. AKS has set up 350 beds (enhanced from 150 beds) bed multi-specialty hospital in Greater Noida and it is being managed by key promoters Dr. Kapil Tyagi and Dr. Ajay Tyagi. The hospital has been completed at a total cost of Rs 117 Cr and mainly funded by bank loan of Rs 78 Cr and rest to be funded by promoters contribution (infused Rs 35.69 Crs till FY20).

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY18	FY19	FY20
Result Type		Audited	Audited	Provisional
Total Operating Income	Rs.in Crs	0.00	0.00	13.02
OPBDIT	Rs.in Crs	-0.01	0.00	3.63
PAT	Rs.in Crs	-0.01	-0.01	-0.84
Tangible Net Worth (TNW)	Rs.in Crs	19.03	24.80	36.59
Total Debt/TNW	Times	0.96	1.87	1.96
Total Debt	Times	18.18	46.48	71.79

^*considered unsecured loans as quasi equity*

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA

RATING HISTORY FOR THE LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Facilities Availed	Current Rating (Dec 2020)^			(Amount in (Rs.Crs)		
	Tenure	Amount (In Crs)	Rating	2019	2018	2017
Bank Loan Fund Based (FB)	Long Term	79.15	BWR BB+ (Stable) (Reaffirmation)	25.10.2019 FB | 50.00 | BWR BB+ (Stable)	-	-
Total		79.15	**Rupees Seventy Nine Crores and Fifteen lakh Only.**			

^*Rating was moved to RNR on 27-Oct-2020*

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

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AKS Medical & Research Centre Private Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	The Nainital Bank Ltd	Term Loan FITL	48.52 2.63	- -	51.15
2.	PNB	Term Loan	28.00	-	28.00
TOTAL					**79.15**

Total Rupees Seventy Nine Crores and Fifteen lakh Only.

For print and digital media

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