

**Press Release**

**Nayati Healthcare & Research NCR Pvt Ltd.**

**(erstwhile OSL Healthcare Pvt Ltd.)**

**January 25, 2020**

**Rating**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Rating Assigned</b>	<b>Rating Action</b>
1.	Long Term Bank Facilities	850.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook )	Reaffirmed
	<b>Total</b>	<b>850.00</b>		

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The rating assigned to the bank facilities of Nayati Healthcare & Research NCR Pvt Ltd continues to derive strength from its experienced management, support from Nayati group, state-of-the-art hospital catering to niche segments and locational advantage of the hospitals. Improvement in scale and profitability driven by upgradation and capacity expansion at Vimhans Nayati Super Specialty Hospital along with improvement in capital structure during FY19 also supports the rating. The rating strengths, however, are tempered by project implementation risk, vulnerability to reputational risks along with capital intensive and competitive nature of the industry.

**Key Rating Sensitivities**

**Upward Factors**

- Successful commissioning and completion of project without any time or cost overrun
- Significant increase in scale of operation & profitability
- Improvement in capital structure

**Downward Factors**

- Time or cost overrun in the ongoing project
- Moderation in the capital structure due to any further capex

## Detailed Description of Key Rating Drivers

### Key Rating Strengths:

#### Experienced management

NHRNPL is managed by a team of highly qualified & experienced professionals who form a five member Board of Directors led by Ms.Nira Radia (Chairperson) who is a leading consultant on public relationship having offered services to the Tata Group, Vedanta Resources, Reliance Group and others. Dr.Rajeev Sharma (Vice Chairman) is well known in the medical fraternity.

#### Support from Nayati group

The Nayati group has adequate experience in healthcare industry through its various companies. Nayati Healthcare & Research Private Limited, a part of the Nayati group runs a 377 bedded hospital in Mathura, Uttar Pradesh, under the name of "Nayati Medicity" which commenced operation from May, 2016. Moreover, the Company also has a 60 bedded medicentre located at Agra, which serves as a feeder facility for the Mathura hospital. Apart from these, the group has also set up another entity, Nayati Medical Pvt. Ltd., which is engaged in trading of pharmaceutical related products like antibiotics, drugs, medicines, surgical instruments, cosmetics, hospital requisites and other allied products.

#### State-of-the-art-hospital catering to niche segments

Vimhans Nayati Super Specialty Hospital, (erstwhile 'Vimhans PrimaMed') is a speciality hospital located in Lajpat Nagar, South Delhi. The hospital extends medical services in various specialized segments like Neurology, Neurosurgery, Orthopaedics, along with other disciplines. Further, several reputed doctors are also associated with the hospital. Currently, it has a capacity of 74 beds (enhanced from 35 beds).

#### Locational advantage

Vimhans Nayati Super Specialty Hospital, is prominently located in the heart of South Delhi and very well connected with other parts of the city. Further, the upcoming hospital in Gurgaon is also located in the heart of the city on the Golf Course Road and very near to the metro station.

## **Improvement in scale and profitability driven by upgradation and capacity expansion at Vimhans Nayati Super Specialty Hospital**

Upon takeover by the Nayati group in April 2018, infrastructure of Vimhans Nayati Super Specialty Hospital underwent complete upgradation including the induction of modern and state of the art equipment. New specialties were launched including Oncology, Intervention Radiology, Diagnostic & Imaging, Preventive Health-Checkup profiling, General Surgery, Urology amongst others. Furthermore, the bed strength of the hospital was also increased from 35beds to 74 beds. All these factors collectively contributed to an increase in operating income of the Company from Rs.26.59crore in FY18 to Rs.52.26crore in FY19. The EBIDTA margin of the company also improved from 11.15% in FY18 to 17.80% in FY19.

## **Improvement in the capital structure during FY19**

The capital structure of the Company registered significant improvement as reflected in TOL/ANW of 0.39x as on March 31, 2019 as against 4.89x as on March 31, 2018. This is mainly on account of improvement in net worth driven by infusion of equity capital/share application money to the tune of Rs.292.87crore in FY19 and treatment of unsecured loans of Rs.144crore as quasi equity as the same are subordinated to the bank facilities. However, the debt protection metrics remained moderate as reflected in the interest coverage and Total Debt/GCA of 5.52x and 18.33x respectively in FY19.

## **Key Rating Weaknesses:**

### **Project implementation risk**

At the time of last review, the envisaged project cost for the Gurgaon hospital was Rs.1173.86crore which was to be financed by a debt of Rs.781.67crore and equity of Rs.392.19crore. However, the bankers did not take into account the cost of acquisition of OSL Healthcare, by the Nayati Group amounting to Rs.322.68crore and the same has been treated by the bank as cost of acquisition of land and has been omitted for the purposes of calculating the project cost. Excluding the said cost, revised envisaged project cost stood at Rs.883.64crore (Phase I Rs.752.36crore + Phase II Rs.131.28crore) which is financed by a term loan of Rs.625crore and (already tied up and sanctioned), equity of Rs.153.80crore and CCD of Rs.104.84crore. Till November 30, 2019 the company has incurred Rs.458.78crore towards Phase I, funded by equity of Rs.153.80crore, CCD of Rs.20.60crore and term debt of

## Infomerics Valuation And Rating Pvt. Ltd.



Rs.284.38crore. Against the balance cost of Phase I, the company has an undrawn sanctioned debt of around Rs.260.62crore.

### Capital intensive nature of industry

The hospital segment is capital intensive with a long gestation period. Further, the maintenance capex required for the hospital segment also remains high owing to regular replacement of equipment to remain updated with the latest technology.

### High vulnerability to reputation risks in fiercely competitive healthcare industry

Healthcare is a highly sensitive sector where any mishandling of a case or negligence on the part of any doctor and/or staff of the unit can lead to adverse publicity and affect operations. Moreover, the healthcare industry is very competitive with a large number of established organised players and their growing network of hospitals catering to middle/high income group. The competition is expected to intensify with the expected entry of Public Private Partnerships in this segment

### Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology – Service sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### About the Company

Incorporated in 2007, Nayati Healthcare & Research NCR Private Limited (NHRNPL), formerly known as OSL Healthcare Private Limited (name changed in Dec 2018) is engaged in the healthcare service industry with its 74 bed hospital, Vimhans Nayati Super Specialty Hospital (erstwhile ‘Vimhans Prima Med’) in Lajpat Nagar, South Delhi. The company is also setting up a 592 bed hospital under the name of “Nayati Medicity” in Gurgaon.

### Financials:

	(Rs. crore)	
For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	26.59	52.26
EBITDA	2.97	9.30
PAT	-1.45	1.37
Total Debt	201.76	146.69
Tangible Networth	50.09	344.33

EBITDA Margin (%)	11.15	17.80
PAT Margin (%)	-5.45	2.60
Overall Gearing Ratio (x)	4.03	0.31

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** N.A

**Rating History for last three years:**

S. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19		Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits-Term Loan	Long Term	640.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook (Jan 2, 2019)	IVR BBB-/ Stable Outlook (Nov 27, 2018)	--	--
2.	Long Term Fund Based Limits-Proposed Term Loan	Long Term	200.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook (Jan 2, 2019)	IVR BBB-/ Stable Outlook (Nov 27, 2018)		
3.	Long Term Fund Based Limits-Cash Credit	Long Term	10.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook (Jan 2, 2019)	IVR BBB-/ Stable Outlook (Nov 27, 2018)		

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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## About Infomerics:

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## Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	2.30%+1Y MCLR	Sep 2033	640.00	IVR BBB-/ Stable Outlook
Proposed Term Loan	NA	NA	NA	200.00	IVR BBB-/ Stable Outlook
Cash Credit	NA	-	NA	10.00	IVR BBB-/ Stable Outlook