



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Ramratan Real Estate Private Limited

March 23, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long Term Bank Facilities-Term Loan	55.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	Assigned
	Total	55.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Ramratan Real Estate Private Limited (RREPL) derives comfort from the exclusive agreement signed with the Fortis group for managing a hospital in Greater Noida build by RREPL, its experienced and resourceful promoters with diversified business. The rating also derives comfort from locational advantage of the hospital and increasing Government thrust to the healthcare segment. However, the rating strengths are partially offset project implementation risk, capital-intensive nature of the industry, presence in fiercely competitive healthcare industry and high vulnerability to reputation risks. Further, the rating also considers on-going CBI case against the promoters.

Key Rating Sensitivities

Upward Factors

- Successful commissioning and completion of project without any time or cost overrun
- Significant increase in scale of operation & profitability with improvement in capital structure through stabilization of operations

Downward Factors

- Time or cost overrun in the ongoing project.
- Any unfavorable outcome against the promoters
- Moderation in the capital structure due to any further capex
- Discontinuance of agreement with the Fortis group



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Exclusive agreement with Fortis group**

RREPL has entered into an exclusive agreement with the Fortis Healthcare Group to operate a hospital in Greater Noida build by the company. The proposed completion date of the project is April, 2021. Fortis Healthcare is the country's fastest growing healthcare group and currently has 43 healthcare units PAN India. The operations of the hospital would be looked after by the Fortis management under the exclusive agreement for 10 years.

- **Experienced and resourceful promoters with diversified business**

Promoter of RREPL has over four decades of experience in railway catering industry. The promoters operates their catering business through various companies, namely Roop Caterers, Brandavan Food Products, Satyam Caterers Private Limited, R.K. Hoteliers and Developers Private Limited and others. The promoters also operate 5 and 4 star hotels under Courtyard by Marriot and Fortune INN Grazia (ITC) located at Ahmedabad, Ghaziabad and Noida via entities Pacifica Hotels Private Limited and R.K. Associates & Hoteliers Private Limited. A diversified business portfolio of the promoters supports the business risk profile of RREPL.

- **Locational advantage**

The location of the proposed hospital is at Greater Noida which is very well connected with the other parts of the city. Due to good connectivity, the city has become a major trade and transportation center in the region. It also allows access to the people coming from adjoining cities, towns, villages and states. The proposed hospital is to be well connected by road and metro. Further, the hospital proposed to extend medical services in various specialized segments like Neurology, Neurosurgery, Orthopedics, along with other disciplines. The hospital will also provide latest technology and equipment for the treatment of its patients.

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- **Increasing Government thrust to the healthcare segment**

The government thrust towards the healthcare sector including steps proposed in the last Union Budget is expected to benefit the players in this industry. RREPL may benefit from these steps which may improve its performance going forward.

Key Rating Weaknesses

- **Project implementation risk**

The hospital project is under implementation stage. However, the company has achieved financial closure with the bank. The basic infrastructure of the project is almost completed. The hospital is expected to commence operations from April, 2021 onwards. The long implementation period makes the company susceptible to time and cost overruns.

- **High vulnerability to reputation risks**

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 operation.

- **Capital intensive nature of industry**

The hospital segment is a capital intensive with a long gestation period. Generally, the payback period (PBP) for a new hospital is high due to lower occupancy rate in the initial phase of operation. 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. Hence, going forward, any debt funded capex plans for expansion at a large scale is critical from credit perspective.

- **Fiercely competitive healthcare industry**

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 healthcare and specialty hospitals sector mainly comprises large national level players, organized regional players, government hospitals, charitable trusts and a large number of nursing homes and multi-specialty clinics making it highly competitive. The competition is expected to intensify with the expected entry of Public Private Partnerships in this segment.



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- **On-going CBI case**

There is an on-going CBI case on the promoters of the company. Going forward the any adverse final outcome of the legal case may have an impact on the financial risk profile of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

RREPL's liquidity position is likely to remain adequate in its initial years of operation backed by the support from its resourceful promoters. However, its capital-intensive nature of operations and long gestation period required for hospital projects to stabilize may impact the liquidity.

About the Company

Incorporated in March, 2011 Ramratan Real Estate Private Limited (RREPL) is involved in Real estate activities. The company also operates 11 general stores PAN India through which they trade in grocery items to support the other companies owned by the promoters, which are involved in catering business. The company is currently working on a project of setting up a 150 bedded multi-speciality hospital in Greater Noida. It has a tie up with Fortis healthcare group for running the hospital. The proposed completion date of the project is April, 2021

Financials (Standalone):

	(Rs. crore)
For the year ended* As on	31-03-2019
	Audited
Total Operating Income	5.40
EBITDA	-2.18
PAT	-2.21
Total Debt	0.00
Tangible Net worth	74.93^



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For the year ended* As on	31-03-2019
EBITDA Margin (%)	-40.43
PAT Margin (%)	-40.90
Overall Gearing Ratio (x)	-

*classification as per Infomerics standard ^Includes the subordinated unsecured loans from promoters

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. 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	55.00	IVR BB/Stable	-	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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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
Long Term Fund Based Limits – Term Loan	-	-	January, 2032	55.00	IVR BB/Stable