

**Press Release**

**Sparsh Hospitals and Critical Care Private Limited**

**November 11, 2019**

**Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>
Long Term Bank Facilities – Term Loan	2.29	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Assigned
Long Term Bank Facilities – Cash Credit	6.35	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Assigned
<b>Total</b>	<b>8.64</b>		

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The aforesaid ratings assigned to the bank facilities of Sparsh Hospitals and Critical Care Private Limited (SHCCPL) derives comfort from its experienced promoters with satisfactory track record, locational advantage, empanelment with various Government schemes and corporates and tie ups with insurance companies. The ratings also factor in satisfactory occupancy rate, comfortable capital structure and healthy growth prospects for Indian healthcare industry. However, the rating strengths are partially offset by modest scale of operations, reputation risk, intense competition and elongated receivables period.

**Key Rating Sensitivities:**

**Upward factors**

- Sustenance of overall gearing ratio at 0.50 times with improvement in its scale of operations
- Improvement in profitability with improvement in gross cash accruals

**Downward factors**

- Sharp deterioration in debt protection metrics
- Further elongation of the working capital cycle

**List of Key Rating Drivers with Detailed Description**

**Key Rating Strengths**

**Experienced promoter**

SHCCPL was founded by Dr. Priyabrata Dhir based out of Bhubaneswar, Odisha who is also the Chairman cum Managing Director of the hospital. Dr. Priyabrata Dhir is a general physician by profession and has completed his MBBS from College of Medical Science, Kathmandu University, Nepal in 2002. He has an experience of over a decade in the healthcare industry

and is a specialist in surgical oncology & treatment. He looks after the day to day operations of the hospital and is well supported by Dr. Ghanshyam Biswas (MBBS, MD, DM. Oncologist) having an experience of about 20 years in the medical industry along with other directors who are also experienced and qualified professionals.

### **Satisfactory track record with state-of-the-art-hospital catering to niche segments**

Sparsh Hospitals commenced operations from 2007 and has a satisfactory track record of more than a decade. Presently, it is a 100 Bedded multi-speciality state-of-the-art Hospital located in Bhubaneswar, Odisha. The hospital extends medical services in various specialised segments like Neurology, Neurosurgery, Orthopaedics, Oncology along with other disciplines. Further, several reputed professional doctors are also associated with the hospital who provides medical services to patients from Odisha and neighboring states. The hospital also provides latest technology and equipment for the treatment of its patients.

### **Locational advantage**

The hospital is located in the heart of the city and is very close to the international airport of Bhubaneswar. Further, the site is easily accessible and is well connected by the city roads and easily available public transports.

### **Empanelment with various Government schemes/Corporate and tie-ups with insurance companies**

The hospital is empaneled with renowned Corporate and Government organizations for providing health care services to their employees. Besides, it also has tie-ups with leading insurance companies and Third Party Administrators (TPAs). Moreover, the hospital is empaneled in various central and state government schemes.

### **Satisfactory occupancy rate**

The hospital's occupancy has remained satisfactory over the years since the inception of its operations. The occupancy rate improved from 69% in FY17 to 75% in FY19. It further increased to 76% in H1FY20 leading to increase in revenue and overall profitability of the company.

### **Comfortable capital structure**

The capital structure of the company remained comfortable as on last three account closing dates. Long term debt-equity and overall gearing ratio remained comfortable at 0.31x and 0.48x respectively as on Mar.31, 2019 (0.44x and 0.59x respectively as on march 31, 2018). Total

indebtedness as reflected by TOL/TNW remained comfortable at 0.87x as on March 31,2019 (Prov.)

### **Healthy growth prospects for Indian healthcare industry**

Factors such as better affordability through increasing per capita income and widening medical insurance coverage, growing awareness for healthcare, under-penetration of healthcare services, technological improvements in early diagnosis and treatment and higher incidence of lifestyle diseases support the industry prospects.

### **Key Rating Weaknesses**

#### **Modest scale of operations**

SHCCPL has witnessed growth in its scale of operations at a CAGR of ~10% over the past three years (FY17-FY19) with a y-o-y growth of ~7% in FY19 (Prov.). The growth in scale of operations is guided by increased reputation leading to satisfactory occupancy rate and improved realisations. However, the scale of operation continues to be modest with revenue of Rs.48.25 crore and PAT of Rs.3.67 crore in FY19 (Prov.). Further, during H1FY20 the company has earned a PBT of Rs. 3.47crore on a total operating income of Rs. 25.19 crore.

#### **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.

#### **Fiercely competitive healthcare industry limiting the ability to attract and retain high-quality consultants**

The healthcare industry is very competitive with a large number of established and organised players with their growing network of hospitals catering to middle/high income group which has affected the pricing flexibility of the company, in addition to restricting occupancies to a certain extent. Further, improvement of the occupancy levels is highly dependent on the hospital's ability to retain and add reputed consultants which will be a challenge in light of heightened competition in the healthcare sector.

#### **Elongated receivable period**

The hospital has tie-ups with various government departments/organizations and PSUs besides being empaneled with central and state government health schemes. Around 40-45% of the hospital's revenue are from these tie ups. However, payments from government departments are realised within five to seven months and consequently the hospital has elongated receivable

period over the years. Delay in payment realisation entail pressure on working capital requirement. The average working capital limit utilisation also remained high at 94.88% for the past twelve months ended August, 2019.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity -**

The company has an adequate liquidity position marked by sufficient cushion in accruals vis-à-vis repayment obligations. The company has modest cash balance of 1.46 crore as on March 31, 2019. Further, the company has no capex plan in near future except investment plan of Rs.2-3 crore in its group company. The current ratio of the company also remained comfortable at 1.76x as on March 31, 2019. However, the bank limit utilisation of the company remained high at around 94% during the past 12 months ended on August, 2019 indicating a limited cushion.

**About the Company**

Incorporated in May, 2007 by Dr. Priyabrata Dhir, Sparsh Hospitals and Critical Care Private Limited (SHCCPL) is engaged in providing healthcare service with its 100-bed hospital (Sparsh Hospital & Critical care) in Bhubaneswar, Odisha. Sparsh Hospitals is an ISO 9001:2015 certified multi-specialty hospitals and is equipped with state-of-the-art technology and well qualified & experienced doctors/surgeons.

**Financials (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Provisional
Total Operating Income	45.02	48.25
EBITDA	9.25	9.53
PAT	3.64	3.67
Total Debt	19.29	17.66
Tangible Net worth	32.87	36.64
EBITDA Margin (%)	20.56	19.75
PAT Margin (%)	8.08	7.61
Overall Gearing Ratio (x)	0.59	0.48

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years with Infomerics:**

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	2.29	IVR BB / Stable Outlook	-	-	-
2.	Long Term Fund Based Limits – Cash Credit	Long Term	6.35	IVR BB / Stable Outlook	-	-	-

**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:**

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**

## Infomerics Valuation And Rating Pvt. Ltd.



Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	December, 2022	2.29	IVR BB / Stable Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	6.35	IVR BB / Stable Outlook