



## Press Release

M/s S.R. Associates

April 02 2021

### Ratings

Sr. No.	Facility*	Amount (Rs. Crore)	Rating Assigned#
1	Long - Term Bank Facilities (Proposed)	35.00	Provisional IVR BBB- (CE)/Credit watch with Developing Implications (Provisional IVR Triple B Minus [Credit Enhancement] Credit watch with Developing Implications
2	Short-Term Bank Facilities (Proposed)	10.00	Provisional IVR A3 (CE)/ (Provisional IVR Single A Three [Credit Enhancement]
	<b>Total</b>	<b>45.00</b>	

\*Details of Facilities are in Annexure 1.

#CE rating based on shortfall undertaking from Agrawal Power Private Limited (40% partnership in M/s S.R. Associates) towards the loans undertaken by M/s S.R. Associates for their proposed hospital project.

### Detailed Rationale

The ratings assigned to the bank facilities of M/s S.R. Associates (the firm) derives comfort from its experienced promoters & established track record of the group by considering the shortfall undertaking from Agrawal Power Private Limited. This proposed shortfall undertaking results in credit enhancement in the rating of the said bank facilities of **long-term facilities to Provisional IVR BBB- (CE)/Credit watch with Developing Implications (Provisional IVR Triple B Minus [Credit Enhancement] Credit watch with Developing Implications & short-term facilities to Provisional IVR A3 (CE)/ (Provisional IVR Single A Three [Credit Enhancement]** against the **unsupported rating** of the said bank facilities of **long-term rating of IVR B+/Stable (IVR Single B Plus with Stable Outlook) and short-term rating of IVR A4 (IVR Single A Four)**. Further, the rating also derives strength from locational advantage and satisfactory credit profile of Agrawal Power Private Limited and state-of-the-art-hospital catering to niche segment. However, these rating strengths are constrained due to pending financial closure and are also offset due to high vulnerability to reputation risks, capital intensive nature of industry and fiercely competitive healthcare industry.



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### Key Rating Sensitivities

- **Upward factors**
  - Continuation of support providing shortfall undertaking and the partners.
  - Profitable operations on a sustained basis
  - Timely completion of the project and earning as envisaged.
  
- **Downward factors**
  - Loss making operations with lack of promoter support on a sustained basis.
  - Cost overrun or delay in completion of projects.
  - Failure to achieve financial closure.
  - Deterioration in the credit profile of Agrawal Power Private Limited

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Established track record of the group & experienced Promoters** – S.R Associates is a part of “The Sage Group”. The Sage Group has an established track record of 35+ years where the group is engaged in various business & sectors like Power, Construction, Education, Media Etc. S.R Associates is a partnership firm & has undertaken the project of hospital construction which is expected to be completed by Jan 2022. The firm is promoted by Mr. Sanjeev Agrawal, Mr. Rakesh Agrawal & Agrawal Power Pvt Ltd. Agrawal Power Pvt Ltd is the associate company of the Sage Group & has a strong financial profile to support business of S.R. Associates. Mr. Sanjeev Agrawal is the renowned businessman of Bhopal and has 11 years of experience in electricity distribution. The promoters have already infused about of Rs. 12.22 crore till Jan 2021.
  
- **Locational advantage** - Project undertaken by S.R. Associates is “My Sage Hospital” is an upcoming venture encompassing an built-up area of over 1,80,000 sq.ft. and is located in Bhopal. This location is a well-known central healthcare hub and is having very much ease of connectivity via Railway Station, Bus Stand and Airport. Due to good connectivity, the city has become a major trade and



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transportation center in the region. It also allows access to the people coming from adjoining cities, towns, villages, and states.

- **State-of-the-art-hospital catering to niche segment** – The Project proposed by the SR Associates is to setup a 180 bedded Tertiary Care Multispecialty Hospital at Bhopal in Central India Hub of Medical Healthcare. The project involves the state-of-the-art hospital building having divided into five floors and one basement floor accommodating the entire medical and support facilities required for the tertiary care multispecialty hospital having constructed area of more than 1,80,000 Sq. Ft. at the Premium Location of Bhopal City having all the vital factors in the immediate vicinity of the hospital site. The hospital is proposed to extend medical services in various specialized segments like Neurology, Orthopedics, Pediatrics, Surgical Oncology along with other disciplines. The hospital will also provide latest technology and equipment for the treatment of its patients.
- **Satisfactory credit profile of the Agrawal Power Private Limited** - The company has a comfortable capital structure as on the past three account closing dates. The long-term debt equity ratio and overall gearing remained comfortable at 0.01x and 0.43x as on March 31, 2020 (0.02x and 0.79x on March 31, 2019). Total indebtedness as reflected by TOL/TNW remained comfortable at 0.71x as on March 31, 2020. Further, during FY20, the promoters have converted unsecured loans amounting to Rs.10 crore to subordinated unsecured loans (quasi equity) which will also support the capital structure going forward. Further, the credit risk profile of the company remained comfortable as the company has low repayment obligation of Rs.0.24 crore in FY21 and has no near-term debt raising plans.
- **Shortfall Undertaking from the group company** – M/s S.R. Associates has strong financial support based on shortfall undertaking provided from Agrawal Power Private Limited (Rated: IVR BBB-/Credit Watch with Developing Implications/IVR A3) for a proposed loan to be taken from a nationalized bank for their proposed hospital project in which, Agrawal Power Private Limited is a partner with a 40% shareholding.



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### B. Key Rating Weakness

- **Financial closure yet to be achieved** - The total cost for the project of 'My Sage Hospital' is estimated at Rs. 71.50 crore, to be funded by a term debt from bank of Rs. 35.00 crore and the remaining to be funded by promoter's contribution of Rs. 36.50 crore. The bank debt is yet to be tied-up and financial closure yet to be achieved. Any potential delays in achieving financial closure may lead to delays in commissioning of the project and shall remain a key monitorable.
- **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 industry 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 organized 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.



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### **Analytical Approach:**

Credit Enhancement (CE) rating: Assessment of the credit profile of Agrawal Power Private Limited, provider of Shortfall Undertaking to M/s S.R. Associates.

**Unsupported rating:** Standalone

### **Applicable Criteria**

Rating Methodology for Service Industry

Rating Methodology for Structure Debt Transaction (Non-Securitisation Transaction

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

M/s S.R. Associates is projected to maintain an adequate level of inflow and the same is expected to increase gradually. Further, the firm is likely to benefit from the resourcefulness of the promoter group. Overall liquidity position is expected to remain adequate.

The liquidity position of Agrawal Power Private Limited (APPL) is adequate marked by the sufficient gross cash accruals expected to meet the debt obligations. APPL has adequate working capital limits to meet working capital requirements. Average working capital utilization for the last 12 months stood at around 61% reflecting cushion to meet incremental requirements. Further, current ratio of the company stood comfortable at 3.01x as on March 31, 2020 imparting comfort for meeting its near-term liabilities.

### **About the Firm**

M/s S.R. Associates is a partnership firm and is in line of constructions. Now the firm is entering in the field of healthcare by undertaking construction of a hospital building in the name of 'My Sage Hospital' located at Bhopal. The firm has three partners viz. Mr. Sanjeev Agarwal (40%), Mr. Rakesh Agarwal (20%) and Agrawal Power Private Limited (40%).

'My Sage Hospital' proposed by M/s S.R. Associates shall setup a 180 bedded Tertiary Care Multispecialty Hospital at Bhopal city, Malwa, Bundelkhand region in Madhya Pradesh. The project involves the hospital building having divided into five floors and one basement floor accommodating the entire medical and support facilities required for the tertiary care



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multispecialty hospital having constructed area of more than 1,80,000 Sq. Ft. The total The total cost for the project of 'My Sage Hospital' is estimated at Rs. 71.50 crore, to be funded by a term debt from bank of Rs. 35.00 crore and the remaining to be funded by promoter's contribution of Rs. 36.50 crore. The tentative COD for the project is January 2022.

**Financials:** Since M/s S.R. Associates has no operations and is in project stage with operations to start from January 2022 tentatively

### Financials of the Shortfall Undertaking from Agrawal Power Private Limited (Standalone) (Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	143.77	98.59
EBITDA	12.10	9.60
PAT	5.31	3.71
Tangible Net worth	48.40	52.07
Adjusted Tangible Net worth	45.20	48.87
EBITDA Margin (%)	8.42	9.74
PAT Margin (%)	3.67	3.73
Overall Gearing Ratio (x)	1.19	0.74

\*As per Infomerics Standards

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

**Any other information:** Nil





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### Rating History for last three years:

Sr. No	Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed Facility	Long Term	35.00	Provisional IVR BBB-(CE)/Credit watch with Developing Implications (Provisional IVR Triple B Minus [Credit Enhancement] Credit watch with Developing Implications	NA	NA	NA
2	Proposed Facility	Short Term	10.00	Provisional IVR A3 (CE)/ (Provisional IVR Single A Three [Credit Enhancement]	NA	NA	NA
<b>Total</b>			<b>45.00</b>				

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**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.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### ANNEXURE I

#### Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating Assigned/ Outlook
Long - Term Bank Facilities	-	-	-	35.00	Provisional IVR BBB-(CE)/Credit watch with Developing Implications





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(Proposed)					(Provisional IVR Triple B Minus [Credit Enhancement] Credit watch with Developing Implications
Short-Term Bank Facilities (Proposed)	-	-	-	10.00	Provisional IVR A3 (CE)/ (Provisional IVR Single A Three [Credit Enhancement]
<b>Total</b>				<b>45.00</b>	

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