



Press Release

Ramade Memorial Medicare and Research Institute LLP (RMM)

March 15, 2024

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	5.06	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Overdraft (OD)	3.00	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Total	8.06 (Rupees Eight crore and six lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Ramade Memorial Medicare and Research Institute LLP (RMM) factors in the Stable market position and experienced Partners and professionals, Super-specialty facility with team of experienced doctors, Y-O-Y growth in revenue with healthy EBITDA margin, Corporate tie-ups with reputed clientele, Comfortable capital structure and debt protection metrics, Efficient working capital cycle and Healthy growth prospects for Indian healthcare industry.

The ratings, however, are constrained by Intense competition and susceptibility to regulatory risks, Impact of regulatory restrictions on revenues, Capital intensive nature of industry and Reputational Risk.



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Key Rating Sensitivities:

Upward Factors

- Substantial and Sustained improvement in the revenue and/or EBITDA margin while maintaining the debt protection metrics.

Downward Factors

- Any decline in revenue and EBITDA margin and/or debt funded capex leading to deterioration in debt protection metrics and/or liquidity position of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Stable market position and experienced Partners and professionals.

RMM was founded in the year 2017 by Mr. Jayesh Chandra Ramade and his wife Mrs. Sheetal Ramade, they are the founder member of Sahayog Group which is into financial, healthcare, and education sectors & they also work as a social enterpriser. Mrs. Sheetal Ramade is the MD of Sahayog Group. Ramade Memorial Medicare & Research Institute LLP established the Sahayog Hospital (SH) which started operation in March 2019 a 100-bed super specialty hospital in Gondia, Maharashtra Accredited with ISO 9001:2015 certification additionally, has also attained the Certificate of NABH Accreditation. The hospital has been able to develop a good brand in Gondia, Maharashtra despite intense competition. The hospital has also strategically deployed a dedicated team of Savitri Sevika's where these representatives, play a crucial role for Sahayog Hospital (SH) in outreach & brand building. The partners are further assisted by experienced and qualified professionals. Sahayog Hospital has also been honored with several awards.



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Super-specialty facility with team of experienced doctors:

The hospital offers multispecialty treatments and have the necessary infrastructure and equipment's for proper functioning of most of its departments which majorly includes Cardiology, Trauma, Neuroscience, Orthopaedics etc. RMM has also started new medical specialties, such as ENT surgery and Vascular surgeries. The Group has also opened a specialty clinic in Balaghat with facilities like qualified super specialty doctors, pathology lab, pharmacy, free ambulance to Gondia post procedure consultancy, palliative care, etc. Having expertise in multiple streams and association with reputed medical professionals will help the hospital to diversify its revenue and will support the business risk profile to a large extent. The key team of doctors of RMM are well experienced in their respective fields having an average experience of around 5 to 8 years.

Y-O-Y growth in revenue with healthy EBITDA margin.

RMM top line has witnessed a CAGR of ~45% over the past years during FY21-FY23. The TOI in FY23 grew at 22% y-o-y and stood at Rs 44.19 crore (FY22: Rs 36.30 crore) the occupancy levels remained on improving trend from last three years and stood at an averaging 71% levels in FY23. The EBITDA margins have remained stable over the years and in FY23, it improved and stood at 26.18% as against 22.37% in FY22 due to economies of scale. PAT margin stood improved at 11.51% in FY23 as against 8.02% in FY22. In 9MFY24, the business showed improvements, total operating income increased to Rs 37.70 crore (9MFY23: Rs 33.93 crore). EBITDA margin remained comfortable and marginally improved to 28.49% (9MFY23: 27.26%). Additionally, the company's profitability, with PBT and PBT margin increased to Rs 5.56 crore (9MFY23: Rs 4.26 crore) where the margin also remained improved at 14.74% (9MFY23: 12.56%) respectively. Infomerics expects RMM revenue to improve further during FY25 and FY26 with higher revenue per bed.



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Corporate tie-ups with reputed clientele

RMM is empanelled with renowned Corporate and Government organizations like Central Railway, ICICI Lombard, Life Insurance Corporation, MD India Health insurance TPA pvt Ltd., Medi Assist India Pvt. Ltd, SBI General Insurance, Bajaj Allianz life Insurance etc. for providing health care services to their employees. These tie-ups facilitate the hospital in attracting patients, as patients mostly prefer facilities like cash less treatment and ease in claim settlement through insurance companies, which in turn leads to increase in occupancy rate.

Comfortable capital structure and debt protection metrics

RMM capital structure remained comfortable at the end of FY23 with overall gearing ratio which has improved substantially from 5.96x in FY22 to 0.92x in FY23 owing to scheduled repayment of term debt along with retention of profit into the business. The total indebtedness of the business as reflected by TOL/TNW improved from 9.33x as on March 31, 2022, to 1.75x as on March 31, 2023. The interest coverage ratio improved and stood comfortable at 9.04 times in FY23 as compared to 5.60 times in FY22 due to increased EBITDA. The DSCR remained stable and comfortable to 2.08x in FY23 from that of 2.01x in FY22.

Efficient working capital cycle:

Gross current assets (GCAs) stood at 47 days as on March 31, 2023, aided by an efficient inventory policy and receivables collection cycle. During FY23 the Avg. Collection Period (days) stood at 11days in comparison to 14days in FY22.

Healthy growth prospects for Indian healthcare industry

The demand outlook for healthcare services is favourable on the back of rising population, better affordability through increasing per capita income, widening medical insurance coverage, growing awareness for healthcare, and higher incidence of lifestyle diseases. The Covid-19 global pandemic has led to increase in awareness and the need for health insurance. Further, Infomerics expects that the Government's Ayushman Bharat scheme which aims to provide free health coverage at the secondary and tertiary level to its bottom 40% poor and vulnerable population will increase the demand for quality healthcare going forward.



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Key Rating Constraints

Intense competition and susceptibility to regulatory risks

RMM is exposed to stiff competition from other established hospital in Gondia, Maharashtra. The competition also affects the pricing flexibility of the hospital. Further, the healthcare sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Thus, regular investment in the workforce and infrastructure is needed to conduct the operations efficiently.

Impact of regulatory restrictions on revenues

The pricing of multiple medical inputs is controlled by government regulatory agencies, more specifically by NPPA (National Pharmaceutical Pricing Authority) in India with the motive of bringing transparency and rationale in the billing process and to maintain a viable ceiling on the prices of medical inputs. The hospitals are also mandated to treat certain patients belonging to the economically weaker section of the society at a subsidized cost. This poses a huge financial burden on the hospitals, due to the rising equipment and operating costs and in some cases, it is even difficult for the hospitals to identify if the beneficiary of any subsidized scheme is bona fide or not, which inadvertently affects their top-line. Additionally, the National Accreditation Board for Hospitals and Healthcare providers, under the purview of the Ministry of Commerce (under GoI) provides guidelines for running hospitals emphasizing on protocols and internal control mechanisms.

Capital intensive nature of industry.

The hospital segment is capital intensive industry with a long gestation period. Generally, the payback period (PBP) for a new hospital is in the range of 5-6 years. Further, the maintenance capex required for the hospital industry also remains high owing to regular replacement of equipment to remain updated with the latest technology.



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Reputational Risk

The hospital is exposed to any instances of mishandled patients, error in medicine which will undermine patient confidence. Thus, preserving openness, putting strict quality control procedures in place will help in reducing reputational risk which will also insure long term viability of the hospital.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for complexity level of rated instruments/Facilities](#)

[Criteria for Policy on Default Recognition](#)

[Criteria of assigning Rating Outlook](#)

Liquidity: Adequate

The liquidity position is expected to remain adequate as the company expects sufficient cushion in its cash accruals as against its scheduled debt repayment obligation during the next 3 years. Its working capital limits remained moderately utilised for the past four months from August to November 2023 (Limit has started from the month of June 2023), at around ~71%. The Current Ratio of the company stood at 0.33x as on March 31, 2023. The unencumbered cash and bank balance as on 31st March 2023 was Rs 1.21 Crore and during 30 November 2023 the cash and bank balance remained improved at Rs 2.02 crore.

About the Company/ Hospital.

Founded in 2017 as a limited liability partnership, Ramade Memorial Medicare, and Research Institute LLP (RMM) manages a 100-bed super specialty hospital in Gondia, Maharashtra. Ramade Memorial Medicare & Research Institute LLP established The Sahayog Hospital in March 2019. This 100-bed Superspeciality private hospital boasts state-of-the-art



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infrastructure and clinical teams. Accredited with ISO 9001:2015 certification, The Sahayog Hospital serves as a Medical Hub, offering a comprehensive range of Superspeciality and specialty clinical services alongside the latest diagnostic facilities, all constructed in accordance with NABH norms.

Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	36.30	44.19
EBITDA	8.12	11.57
PAT	2.92	5.11
Total Debt	14.39	11.44
Tangible Net worth	2.42	12.41
EBIDTA Margin (%)	22.37	26.18
PAT Margin (%)	8.02	11.51
Overall Gearing ratio (X)	5.96	0.92

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	5.06	IVR BBB-/ Stable	-	-	-
2.	Overdraft (OD)	Long Term	3.00	IVR BBB-/ Stable	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

S. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
1	Term Loan	-	-	Upto 2027	5.06	IVR BBB-/ Stable
2	Overdraft (OD)	-	-	Revolving	3.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-Ramade-Memorial-15032024.pdf>

Annexure 4: Detailed explanation of covenants of the rated facilities: Not Applicable

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.