Press Release

Sooriya Hospital

March 14, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	178.84 (Reduced from Rs. 205.66 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Reaffirmed	Simple
Total	**178.84 (INR one hundred seventy-eight crore and eighty four lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Sooriya Hospital (SH) considers extensive experience and established track record of the promoters in healthcare industry, multispecialty facilities with satisfactory occupancy, corporate tie-ups with reputed organizations, steady growth in scale of operations with continuous improvement in profitability, leveraged capital structure with moderate debt protection metrics, healthy growth prospects for Indian healthcare industry. However, these rating strengths remain constrained due to its moderate scale of operations and risks in partnership constitution, susceptibility to regulatory risks, intense competition, and reputational risk.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Improvement in the capital structure and improvement in debt protection metrics

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin
- Deterioration in the capital structure, liquidity and/or debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience and established track record of the promoters in healthcare industry**

Sooriya Hospital was established by Dr. C.P. Sreekumar who has more than three decades of experience in the healthcare industry. Besides, the hospital has an established panel of doctors/surgeons across multiple specialties with adequate medical infrastructure, which helped it to achieve a steady revenue growth over the years. Infomerics believes the longstanding experience of the promoters will continue to support the business risk profile of the firm.

- **Multispecialty facilities with satisfactory occupancy**

The hospital offers multispecialty treatments and has the necessary infrastructure and equipment's for proper functioning of most of its departments including Gynaecology, IVF, Cardiology, Orthopaedics, Paediatrics, Nephrology, etc. Having expertise in multiple streams and association with reputed medical professional helps the firm to diversify its revenue and supports the business risk profile to a large extent. Further, the hospital witnessed a steady improvement in its occupancy and the occupancy rate is 89% in FY23.

- **Corporate tie-ups with reputed organizations**

The hospital is empanelled with renowned Corporate and Government organizations like Airport Authority of India (AAI), Chennai Metro Rail Limited, Hindustan Petroleum, Carborandum Universal, Consulate General of United States of America, Larsen & Toubro, MRF, Mahindra and Mahindra Limited etc. for providing health care services. Besides, it has tie-ups with leading insurance companies and third-party administrators. These empanelment and 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 higher occupancy rate.

- **Steady growth in scale of operations with continuous improvement in profitability**

The total operating income of the firm had improved to Rs.81.71 crore in FY23 from Rs.78.57 crore in FY22 driven by increase in LAB, Diagnostics revenue coupled with increase in income from sales of power contributed Rs.1.95 crore in FY23 against 1.83 crore in FY22. The growth is supported by its healthy occupancy level at ~89% along with an increase in average revenue per occupied bed (ARPOB). With growth in scale of operation, the profitability also marginally improved in FY23 mainly driven by improvement in ARPOB. The EBITDA margin improved to 32.65% in FY23 (32.35% in FY22) and PAT margin improved to 15.47% in FY23 (14.73% in FY22).

- **Leveraged capital structure with moderate debt protection metrics**

The capital structure of the firm had moderately comfortable as on March 31, 2023, with its satisfactory net worth base of Rs.94.27 crore supported by accretion of profits. Overall gearing stood moderate and improved to 1.99x as on March 31, 2023 from 2.49x as on March 31, 2022. Long term debt to equity also improved and stood at 1.88x as on March 31, 2023 from 2.28x as on March 31, 2022. Overall indebtedness of the company marked by TOL/TNW improved and stood at 2.09x as on March 31, 2023, against 2.62x as on March 31, 2022. The debt protection metrics as indicated by moderation in interest coverage ratio 2.02x as on March 31, 2023, from 2.27x as on March 31, 2022. DSCR also stood moderate at 1.05x as on March 31, 2023 and from 1.21x as on March 31, 2022.

- **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.

Key Rating Weaknesses

- **Risks in partnership constitution**

Being a partnership firm, it is vulnerable to capital withdrawals by the partners.

- **Moderate scale of operation**

Though, the firm has recorded considerable growth in scale of operations over the past three years the scale of operation continues to be moderate at ~Rs.82 crore in FY23.

- **Intense competition and susceptibility to regulatory risks**

Sooriya Hospital is exposed to stiff competition from other established hospital in Chennai. 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.

- **Reputational risk**

All the healthcare providers need to monitor each case diligently and maintain high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Entities
Financial Ratios & Interpretation (Non- Financial Sector)
Criteria for assigning rating outlook

Liquidity – Adequate

The firm will maintain adequate liquidity position going forward due to consistently increased accruals. The gross cash accruals stood at Rs.15.03 Cr as on March 31, 2023 and the cash and bank balances of the firm stood at Rs.46.24 Cr as on March 31, 2023 as against long term debt repayment of Rs15.03. Cr. over the same period. Further, the current ratio stood comfortable at 2.86x as on March 31, 2023 and the Quick Ratio also stood at 2.69x as on March 31, 2023. Further, the average fund-based limit utilisation remains at around ~55% over the 12 months ended January 2024 indicating adequate liquidity buffer. There have been no instances of overdrawing.

About the Company

Sooriya Hospitals (SH) is a Chennai based multi-specialty hospital with 200 beds. The hospital was established in 1991 by Dr. Sreekumar as a Partnership concern. The hospital presently offers treatments across a large number of specialties including Paediatric, Gynaecology, Neonatal intensive care, Pulmonology, Cardiology, Orthopaedic, Gastroenterology etc. Sooriya Hospital is NABH pre-accredited and ISO 9001:2008 certified hospital.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	78.57	81.71
EBIDTA	25.42	26.68
PAT	11.85	12.90
Total Debt	173.82	187.78
Tangible Net Worth	69.74	94.27
Adjusted Tangible Net Worth	59.68	83.98
EBDITA Margin (%)	32.35	32.65
PAT Margin (%)	14.73	15.47
Overall Gearing Ratio (x)	2.49	1.99

**Classification as per Infomerics' standards*

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 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 (March 7, 2023)	Date(s) & Rating(s) assigned in 2021-22 (January 04, 2022)	Date(s) & Rating(s) assigned in 2020-21 (October 5, 2020)
1.	Term Loan	Long Term	161.59	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable

Sr. No.	Name of Instrument/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 (March 7, 2023)	Date(s) & Rating(s) assigned in 2021-22 (January 04, 2022)	Date(s) & Rating(s) assigned in 2020-21 (October 5, 2020)
2.	Secured Overdraft	Long Term	15.75	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
3.	SBB Merchant Loan	Long Term	1.50	IVR BBB-/ Stable	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.

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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 I	Long Term	-	August 2031	28.35	IVR BBB-/ Stable
Term Loan II	Long Term	-	July 2031	2.46	IVR BBB-/ Stable
Term Loan III	Long Term	-	July 2031	0.65	IVR BBB-/ Stable
Term Loan VIII	Long Term	-	May 2028	10.39	IVR BBB-/ Stable
Term Loan IX	Long Term	-	May 2028	3.81	IVR BBB-/ Stable
Term Loan X	Long Term	-	November 2024	2.28	IVR BBB-/ Stable
GECLS 2.0	Long Term	-	May 2026	8.37	IVR BBB-/ Stable
GECLS 3.0	Long Term	-	August 2027	14.06	IVR BBB-/ Stable
Term Loan XI IND Sanjeevini GECLS 4	Long Term	-	December 2026	1.22	IVR BBB-/ Stable
Term Loan XII	Long Term	-	February 2033	90.00	IVR BBB-/ Stable

Secured Overdraft	Long Term	-	-	15.75	IVR BBB-/ Stable
SBB Merchant Loan	Long Term	-	-	1.50	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-Sooriya-Hospital-14032024.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/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.