Press Release

Shanti Foundation

May 23, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	196.32	IVR BBB- /Stable [IVR Triple B Minus with Stable Outlook]	IVR BBB- /Stable [IVR Triple B Minus with Stable Outlook]	Reaffirmed	Simple
Long Term Bank Facilities	39.74	--	IVR BBB- /Stable [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Short Term Bank Facilities	10.50	IVR A3 [IVR A Three]	IVR A3 [IVR A Three]	Reaffirmed	Simple
Total	**246.56 [Enhanced from Rs. 206.82 crore]**	**[Rupees Two hundred and forty-six crore and fifty-six lakhs only]**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings and Valuation Private Limited (IVR) has reaffirmed the long-term rating of IVR BBB- with a Stable outlook and short-term ratings of IVR A3 for the bank loan facilities of Shanti Foundation. IVR has also assigned rating of IVR BBB- with stable outlook for the long-term enhanced facilities of Shanti Foundation.

The rating continues to draw comfort from extensive experience of the promoters and top management, diverse revenue sources and services, sustenance of healthy profitability margins. However, these rating strengths are partially offset by moderate scale of operations, predominantly debt funded large size capital expenditure being undertaken by the trust and moderation of capital structure on account of debt funded capex. IVR also notes that the capex which the firm is undertaking is expected to be completed within budgeted timeline and no cost overruns.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

IVR has principally relied on the audited financial results of the company up to March 31, 2023, and projected financials for FY2024-FY2026, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Timely competition of project within the estimated cost.
- Improvement in enrolment ratio and hospital receipts leading to improvement in the operating income and profitability on a sustained basis.

Downward Factors

- Delay in completion of the project with cost overrun and significant delay in commencement of operations.
- Dip in operating income and/or profitability due to decline in enrolment ratio and hospital receipts impacting the debt protection metrics.
- Deterioration in the capital structure and/or debt protection metrics and liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and top management:

Shanti Foundation is promoted by Srivastava family based out of Gorakhpur, Uttar Pradesh. The key promoter and chairman of the trust Mr. Vinay Kumar Srivastava is also the director of KMC Digital Hospital. He has extensive experience of more than a decade in the field of banking and finance. Further, he is supported by his wife Mrs.

Neera Srivastava and by his brother, Mr Abhay Srivastava, who carries with them experience of more than a decade in the diversified line of business.

Diverse Revenue Sources and services:

Shanti Foundation's revenue profile is diversified, out of the total revenue of Rs. 39.61 crore in FY23, income generated from hospital receipts stood at Rs. 30.11 crore which proportioned 76.02% of total operating income and remaining Rs. 8.32 crore are generated through educational institutes (i.e. nursing and paramedical college) which proportioned 21% to total operating income. The 300 bedded, multi-specialty hospital (KMC Digital hospital) has various departments and associated infrastructure and equipment for the various departments like oncology, neurology, cardiology, gynaecology etc. The hospital offers a wide range of specialty services like nephrology, oncology, cardiology, orthopaedic, endocrinology, gastroenterology, neurology, plastic surgery, urology etc. Additionally, the trust is in the process of taking total bed capacity of hospital to 430 for which will start from July 2024.

Sustenance of healthy profitability margins:

The EBITDA stood at Rs. 20.19 crore in FY23 compared to Rs. 15.88 crore in FY22. The PAT of the trust stood Rs. 12.62 crore in FY23 compared to Rs. 8.85 crore in FY22(A). The GCA stood at Rs. 17.03 crore in FY23(A) which was Rs. 13.67 crore in FY22(A). Although there is an increase in scale of operations, the EBITDA Margins of the company declined by 34 bps and stood at 50.98% in FY23 compared to 51.32% in FY22 on account of increase in power and fuel cost and salary expenses. Despite a decline in EBITDA margin, the PAT margin of the trust improved by 327 bps and stood at 31.87% in FY23 compared to 28.60% in FY22 on account of decline in depreciation cost.

B. Key Rating Weaknesses

Moderate scale of operations

The total operating income of the trust has grown at 14.57% (CAGR) during the past three years ended as on March 31, 2023, further on year-on-year basis the total operating income has improved by 28.03% to Rs. 39.61 crore in FY23 compared to Rs. 30.94 crore in FY22(A), this growth is attributed to increase in hospital receipts during the year in KMC digital hospital along with higher enrolment of students in nursing and paramedical college during FY23.

Project Implementation Risk

The trust is setting up a Medical College and Hospital Project under the name “KMC Medical College and Hospital”. Total estimated cost of project amounts to Rs. 252.98 crore, which will be funded by the term loans of Rs. 184.00 crore, unsecured loan amounting to Rs. 29.51 crore, corpus fund/ internal accrual amounting to Rs. 39.47 crore Till March 01, 2024, Shanti Foundation has incurred cost of Rs. 245.91 crore. Proposed debt contributes 72.70% of total cost of project, promoter contribution through unsecured loans to 11.66% and remaining amount from corpus/capital fund and internal accruals. Completion of project as per scheduled timeline and any cost overrun remains critical factor for success of the project. Further, the trust has undertaken another project for establishing a super specialty hospital with a total project cost of Rs. 69.11 crore, which will be funded through term loan of Rs. 48.00 crore, corpus/capital fund/internal accrual amounting to Rs. 10.05 crore, unsecured loan amounting to Rs. 4.42 crore and remaining Rs. 5.08 crore though creditor for capital work in progress. The expected date of completion of both these projects are June 30, 2024, and tentative date of commencement of operation is from July 01, 2024. Therefore, project implementation risk arises till the construction is fully complete. Any delay in construction will adversely affect future revenue and cash accrual, therefore, remain a key rating driver over the medium term. Construction progress as per schedule is critical for maintaining the timeline to complete the project in time.

Moderation of capital structure on account of debt funded capex.

The tangible net worth of the trust improved from Rs. 42.06 crore as on March 31, 2022, to Rs. 54.68 crore as on March 31, 2023, on account of accretion of profits to reserves. The Total debt of the trust also increase from Rs. 18.09 crore as on March 31, 2022, to Rs. 84.23 crore as on March 31, 2023, on account of increase in term debt during FY23. The overall gearing of the trust stood at 1.54x as on March 31, 2023, deteriorated from 0.43x as on March 31, 2022, on account of increase in total debt as significant debt in taken to fund the capex plan. The TOL/TNW stood at 1.70x as on March 31, 2023, deteriorated from 0.73x as on March 31, 2022, on account of higher increase in debt than increase in TNW. The debt protection metrics stood comfortable, marked with ICR at 6.38x in FY23 deteriorated from 7.19x in FY22. The DSCR stood at 2.45x in FY23 which was 2.51x in FY22. The total debt/GCA stood at 4.95x as on March 31, 2023, compared to 1.32x as on March 31, 2022, on account of higher increase in debt compared to increase in GCA.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity position of the trust stood adequate with gross cash accruals of Rs.17.03 crore as against repayment obligation of Rs. 5.07 crore as on March 31, 2023. Moreover, the trust is expected to generate cash accruals in the range of Rs. 20.00 to Rs. 75.00 crore as against its debt repayment obligation of ~Rs.1.00 to Rs. 38.00 crore FY24-29. The trust has unencumbered cash and cash equivalents amounting to

Rs.1.49 crore and Rs. 1.34 crore as on March 31, 2023, and January 31, 2023, respectively.

About the Company

Shanti Foundation was formed as a trust in February 2012 by 'Srivastava family' with an objective of providing healthcare and education services and is headed by Vinay Srivastava. The trust is running a multi-specialty hospital with 300 beds capacity under the name of KMC Digital Hospital and KMC Nursing and Para-medical Institute in Maharajganj, Uttar Pradesh. In 2021, the trust got approval for B.Sc Nursing course to be offered at KMC College of Nursing. The trust is planning to establish Medical College with intake capacity of 150 students and expansion of existing facilities of Multi-specialty Hospital from 300 bedded to 430 Bedded Hospital at Farenda Road, Maharaj Ganj, Division- Gorakhpur- Uttar Pradesh in the name of KMC Medical College and Hospital, and the said Project is supported by an Concession Agreement/MOU signed with Director General Medical Education ("DGME"), Government of Uttar Pradesh with understanding of State Govt to facilitate implementation of said Project in State of Uttar Pradesh and State Govt shall provide assistant of Rs. 80.00 crore over a span of five years under PPP Mode.

Financials (Standalone):

(Rs. Crore)

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	30.94	39.61
EBITDA	15.88	20.19
PAT	8.85	12.62
Total Debt	18.09	84.23
Tangible Net Worth	42.06	54.68
Ratios		
EBITDA Margin (%)	51.32	50.98
PAT Margin (%)	28.60	31.87
Overall Gearing Ratio (x)	0.43	1.54

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24.	Date(s) & Rating(s) assigned in 2022-23 (Mar 24, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Oct 25, 2022)
1.	Long Term Fund Based Facilities	Long Term	236.06	IVR BBB-/ Stable	-	IVR BBB-/ Stable	IVR BBB-/ Stable
2.	Short Term Fund Based Facilities	Short Term	10.50	IVR A3	-	IVR A3	-

Name and Contact Details of the Rating Analyst:

Name: Vipin Jindal

Tel: (011) 45579024

Email: vipin.jindal@infomerics.com

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.

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/GECL	-	-	Dec'32	236.46	IVR BBB-/Stable
Bank Guarantee	-	-	-	10.50	IVR A3

Annexure 2: List of companies considered for consolidated analysis: None.

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-Shanti-Foundation-may24.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.