



## Press Release

### Shanti Foundation

**October 25, 2022**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Bank Facilities	13.91	IVR BBB-; Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>13.91</b>	<b>Rupees Thirteen Crore and Ninety One Lakhs Only</b>		

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable Outlook for the bank loan facilities of Shanti Foundation.

The rating draws comfort from its experienced promoters and top management, diverse revenue sources, sustenance of healthy profitability margins, varied healthcare services, comfortable capital structure and debt protection metrics. However, these strengths are partially offset by moderate scale of operations, reputational risk associated with healthcare providers and high competition along with highly regulated nature of the industry.

IVR has principally relied on the standalone audited financial results of Shanti Foundation upto 31 March 2022 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the entity's management.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Improvement in enrolment ratio and hospital receipts leading to improvement in the operating income and profitability on a sustained basis.
- Improvement in the capital structure with reduction in debt level and/or improvement in debt protection metrics.



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### **Downward Factors**

- 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 Shanti Foundation, 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 an experience of more than a decade in the diversified line of business. Infomerics believes that the rich experience of the promoters is expected to support in further improvement and diversification of its business risk profile of trust in the coming years.

##### **Diverse Revenue Sources**

The trust's revenue profile is diversified, as hospital income of Rs. 25.79 crore in FY22 which proportioned 83.33% of total operating income and student fee receipts from educational institutes of Rs.5.11 crore which proportioned 16.51% to total operating income in FY22. The trust's total operating income increased to Rs. 30.94 crore in FY22 (FY21: Rs.26.81 crore). The trust is in the process of increasing its intake by 220 seats for the Bachelor and Diploma course from FY23 which will help in getting new admissions.

##### **Diverse healthcare services**

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



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nephrology, oncology, cardiology, orthopaedic, endocrinology, gastroenterology, neurology, plastic surgery, urology etc.

### **Sustenance of healthy profitability margins**

The profitability of the trust stood healthy marked by EBITDA margin and PAT margin of 51.52% (PY: 53.43%) and 28.60% (PY: 20.71%) respectively in FY22. During FY22, EBITDA margin of the trust declined by 191 bps over FY21 mainly on account of increase in employee cost as well as increase in student welfare expenses, administrative and hospital operational expenses. However, PAT Margin improved by 789 bps in FY22 over FY21 owing to decline in interest expense and depreciation. Further, owing to moderate scale, gross cash accruals (GCA) stood at Rs. 13.67 crore in FY22 as against Rs. 10.46 crore in FY21.

### **Comfortable capital structure and debt protection metrics**

The capital structure of the trust stood comfortable marked by improvement in overall gearing ratio from 0.78x as on March 31, 2021 to 0.43x as on March 31, 2022. This was mainly on account of decrease in total debt and increase in tangible net worth. Further, the debt protection metrics of the trust stood moderate marked by interest service coverage ratio at 7.60x as on March 31, 2022 (3.80x as on March 31, 2021). Total debt to GCA stood at 1.32x as on March 31, 2022 (2.47x as on March 31, 2021).

### **Key Rating Weaknesses**

#### **Moderate scale of operations**

Total Operating Income (TOI) of the trust stood moderate in past three years with an increasing trend. The trust generates its revenue from the hospital as well as nursing college and within short span of time (first full year operations started in FY19), it has witnessed moderate growth marked by TOI of Rs.26.34 crore in FY20 to Rs.30.94 crore in FY22. During FY22, TOI of the trust improved marginally by 15% as against FY21. This was mainly on account of increase in student fee receipts and marginal increase in hospital receipts.



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### **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 & institute to a large extent.

### **High competition along with highly regulated nature of the industry**

The healthcare sector and education sector are highly fragmented with few large players in the organized sector and numerous small players in the unorganized sector leading to high level of competition in the business. Thus, differentiating factors like range of services offered, quality of service, reputation of doctors, success rate in the treatment of complex cases will be crucial in order to attract patients and increase occupancy. Further, any regulatory changes that impact the flexibility of the trust to fix fees for the management quota seats may adversely impact the revenue profile and cash accruals.

**Analytical Approach:** For arriving at the ratings, IVR has analysed Shanti Foundation credit profile by considering the standalone financial statements of the trust.

### **Applicable Criteria:**

[Rating Methodology for Services Sector Entities](#)

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

[Criteria for assigning rating outlook](#)

### **Liquidity – Adequate**

The liquidity position of the trust stood adequate with gross cash accruals of Rs.13.67 crore as against repayment obligation of Rs. 4.11 crore as on March 31, 2022. Moreover, the trust is expected to generate cash accruals in the range of Rs. 16.00 to Rs. 20.00 crore as against its debt repayment obligation of ~Rs.4.00 to Rs. 5.00 crore FY23-25. The trust has moderate cash and cash equivalents amounting to Rs.0.39 crore as on March 31, 2022.



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### About the Trust

Shanti Foundation was formed as a trust in February 2012 by 'Srivastava family' with an objective of providing healthcare and education services. SHF 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, SHF got approval for B.Sc Nursing course to be offered at KMC College of Nursing.

### Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	26.81	30.94
EBITDA	14.32	15.94
PAT	5.55	8.85
Total Debt	25.80	18.07
Adjusted Tangible Net worth	39.04	44.28
EBITDA Margin (%)	53.43	51.52
PAT Margin (%)	20.71	28.60
Overall Gearing Ratio (x)	0.51	0.36

\* 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.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based-Term Loans	Long Term	13.91	IVR BBB-/Stable	-	-	-



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### Name and Contact Details of the Rating Analyst:

Name: Ms. Shilpa Yadav	Name: Mr. Om Prakash Jain
Tel: (011) 24601142	Tel: (011) 24601142
Email: <a href="mailto:shilpa.yadav@infomerics.com">shilpa.yadav@infomerics.com</a>	Email: <a href="mailto:opjain@infomerics.com">opjain@infomerics.com</a>

### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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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	-	-	Sep 2023	1.14	IVR BBB-/ Stable
Term Loan	-	-	Sep 2024	9.27	IVR BBB-/ Stable
Term Loan	-	-	June 2024	1.82	IVR BBB-/ Stable
Term Loan	-	-	Dec 2026	1.68	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-Shanti-Foundation-oct22.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 [Complexity Level of Rated Instruments/Facilities](#).