



## Press Release

### Shanti Foundation

**March 24, 2023**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Previous Ratings</b>	<b>Current Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Bank Facilities	196.32 (enhanced from Rs.13.91 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	10.50	-	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>206.82</b>	<b>Rupees Two Hundred Six Crore and Eighty Two Lakhs Only</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

Infomerics Valuations and Ratings Private Limited (IVR) has reaffirmed long-term rating IVR BBB- with a Stable Outlook and short term rating of IVR A3 for the bank loan facilities of Shanti Foundation.

The rating continues to draw 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 and incremental benefit arising out of proposed project. However, these strengths are partially offset by moderate scale of operations, project cost structure, project implementation risks and reputational risk associated with healthcare providers.

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 company's management.



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### **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.
- Timely completion of project within the estimated cost.
- Improvement in the capital structure with reduction in debt level and/or improvement in debt protection metrics.
- Accomplishing projected operating parameters.

#### **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.
- Delay in completion of the project with cost overrun.
- Significant delay in commencement of operations.

### **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 SHF 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



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is expected to support in further improvement and diversification of its business risk profile of trust in the coming years.

### **Diverse Revenue Sources:**

SHF'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 nephrology, oncology, cardiology, orthopedic, 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.



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### **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).

### **Incremental Benefit arising out of proposed project**

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. Total cost of project amounts to Rs.252.99 crore. The project is being funded by the term loans of Rs. 185.00 crore and balance by way of corpus fund/internal accruals & unsecured loan. As on February 16, 2023, Shanti Foundation has incurred cost of ~Rs. 42.43 crore. The project is scheduled to be completed by July 2024.

### **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.

#### **Project cost structure**

The trust is setting up a Medical College and Hospital Project under the name “KMC Medical College and Hospital”. The total estimated cost of the project is Rs. 252.99 crore, which will



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be meet through unsecured loan from promoters of Rs.29.52 crore, proposed term loan of Rs. 185.00 crore, corpus/capital fund of Rs.9.29 crore and Internal accruals of Rs. 29.18 crore. Proposed debt contributes to 73% of total cost of project, promoter contribution through unsecured loans to 12% 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.

### **Project implementation risks**

The project is under construction 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 time line to complete the project in time.

### **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.

**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](#)



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### **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.

### **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. 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.

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.





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### 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:** None

**Any other information:** None

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Type	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
			Amount outstanding (Rs. Crore)	Rating (March 24, 2023)	Rating (Oct 25, 2022)	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 Facilities	Long Term	196.32 (enhanced from Rs. 13.91 crore)	IVR BBB-/Stable	IVR BBB-/Stable	-	-	-
2.	Non Fund Based Facilities	Short Term	10.50	IVR A3	-	-	-	-

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

Name: Ms. Shilpa Yadav Tel: (011) 45579024 Email: <a href="mailto:shilpa.yadav@infomerics.com">shilpa.yadav@infomerics.com</a>	Name: Mr. Om Prakash Jain Tel: (011) 45579024 Email: <a href="mailto:opjain@infomerics.com">opjain@infomerics.com</a>
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### 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).

**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 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 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	0.78	IVR BBB-/ Stable





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Term Loan	-	-	Sep 2024	8.29	IVR BBB-/ Stable
Term Loan	-	-	June 2024	1.58	IVR BBB-/ Stable
Term Loan	-	-	Dec 2026	1.68	IVR BBB-/ Stable
Term Loan	-	-	Dec 2032	184.00	IVR BBB-/ Stable
One time Bank Guarantee	-	-	-	9.50	IVR A3
One time Bank Guarantee	-	-	-	1.00	IVR A3

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-ShantiFoundation-mar23.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](#).