



## Press Release

### RMC Medical Services Private Limited

January 27, 2022

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long Term Bank Facilities	6.37	IVR BB/ Stable (IVR double B with Stable Outlook)	Assigned	Simple
Long Term/ Short Term Bank Facility	0.13	IVR BB/ Stable/ IVR A4 (IVR double B with Stable Outlook and IVR A4)	Assigned	Simple
<b>Total</b>	<b>6.50</b> <b>(INR Six crore</b> <b>Fifty lakh only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of RMC Medical Services Private Limited (RMSPL) takes into consideration the long experience of the promoters, operational support from the Group and the favourable outlook for healthcare industry. The ratings, however, are constrained by the relatively small scale of current operations, trading nature of operations which results in low profit margins and fragmented industry structure characterised by intense competition

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity

##### Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.



## Press Release

- Any delay in receipt of lease rentals may adversely impact the liquidity position of the company

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Long experience of the promoters**

The company is promoted by Dr. K. Madeswaran and Dr. K. Chockalingam. Dr. K. Madeswaran is one of the leading and renowned neurosurgeons of Coimbatore and has more than two decades of experience. Dr. K. Chockalingam is another promoter and is an eminent cardiologist who has almost three decades of experience. The company is expected to benefit from its promoter's good reputation in the region, strong understanding of the local market dynamics and healthy relationships with various authorities.

- **Operational support from the Group**

RMSPL gets support from forward integration with its associate entities – Royalcare Super Specialty Hospital Ltd. (RSSH) and MC Medical Services Pvt. Ltd. (MCMSPL) both of which are multicare hospitals in Coimbatore. RSSH, MCMSPL, and RMSPL share common promoters. Since its inception in 2017 the company has been majorly supplying surgical items, pharmacy equipment/items, and lab consumables to both these hospital companies. Since August 2021 the company has started leasing out medical equipment to RSSH. With the leasing out of medical equipment in FY2022, the operating income and margins are expected to expand.

- **Favourable outlook for healthcare industry**

The Indian market for hospital supplies remains strong driven by factors such as the rising burden of chronic diseases and various initiatives by Government in the healthcare space. The country is witnessing a gradual increase in its hospital bed density. However, there remains a demand-supply gap for hospital supplies, like sterilization and disinfectant equipment and patient examination devices. A growing healthcare infrastructure and support from government to enhance and expand health care facilities are driving the



## Press Release

demand for hospital supplies, which is expected to boost the market in India and thus benefit the company.

### Key Rating Weaknesses

- **Relatively small scale of current operations**

The company's scale of operations continues to remain relatively small, notwithstanding an increase to Rs. 33.76 crore in FY2021 from Rs. 29.79 crore in FY2020, which results in low profits and cash accruals on an absolute basis.

- **Trading nature of operations results in low profit margins**

The operating profit margin of the company is low at 3.79% in FY2021, inherently due to the trading nature of operations, which is characterized by high volume, low-margin business. However, with the leasing of medical equipment to RSSH, the margins are expected to improve, going forward.

- **Fragmented industry structure characterised by intense competition**

The medical equipment and devices sector is fragmented with multiple domestic and international players, exposing RMSPL to intense competition. However, each company has its niche product offerings and customers. Similarly, RMSPL remains competitive because of its established collaboration with RSSH and MCSPL.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

### **Liquidity – Adequate**

The liquidity position of the company is adequate marked by its expected gross cash accruals as against debt obligations in the FY23 and FY24. Further, the company has no planned capex or addition of further long-term debt, which imparts comfort.



## Press Release

### About the Company

Incorporated in 2017, by Dr. K. Madeswaran, and Dr. K. Chockalingam, RMC Medical Services Private Limited is involved in the supply of pharmaceuticals, surgical items, lab consumables etc its associated entities - RSSH and MCSPL, both of which are multi-care hospitals located in Coimbatore. Both the doctors are also promoters of these hospital entities. In FY22 the company has started leasing out medical equipment to RSSH.

### Financials (Standalone):

For the year ended* / As on	31-March-20 (Audited)	31-March-21 (Audited)
Total Operating Income	29.79	33.76
EBITDA	0.60	1.28
PAT	0.29	0.90
Total Debt	0.96	0.00
Tangible Net-worth	2.25	1.94
EBITDA Margin (%)	2.00	3.79
PAT Margin (%)	0.98	2.67
Overall Gearing Ratio (x)	0.00	0.00

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loans	Long Term	6.37	IVR BB/ Stable	-	-	-
2.	Unallocated Limits	Long/Short Term	0.13	IVR BB/ Stable/ IVR A4	-	-	-

Name and Contact Details of the Rating Analyst:



## Press Release

Name: Sapna Bagaria

Tel: (033) 46022266

Email: [sapna.bagaria@infomerics.com](mailto:sapna.bagaria@infomerics.com)

Name: Sandeep Khaitan

Tel: (033) 46022266

Email: [sandeep.khaitan@infomerics.com](mailto:sandeep.khaitan@infomerics.com)

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

**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, suspend 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-1	-	-	September 2026	2.22	IVR BB/ Stable
Term Loan-2	-	-	October 2027	4.15	IVR BB/ Stable
Unallocated Limits	-	-	-	0.13	IVR BB/ Stable/ IVR A4

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



## Press Release

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-RMSPL.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](http://www.infomerics.com).







## Press Release