



Press Release

Sooriya Hospital

January 04, 2022

Rating				
Instrument / Facility	Amount (Rs. Crore)	Current Rating	Previous Rating	Rating Action
Long Term Bank Facilities	129.85 (Enhanced from 85.18)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Reaffirmed/ Assigned
Total	129.85 (One hundred twenty-nine crore and eighty-five Lakh rupees only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The long term rating assigned to the bank facilities of Sooriya Hospital (SH) derives strength from extensive experience and established track record of its promoters in healthcare industry, multispecialty facilities with satisfactory occupancy and corporate tie-ups with reputed organizations. The rating also notes SH's steady growth in its scale of operations with continuous improvement in profitability, moderate debt protection metrics and moderate capital structure with gradual improvement in leverage ratios. The rating further derive comfort from 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. The rating also consider 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.



Press Release

Downward Factors:

- Moderation in operating income and/or cash accrual or deterioration in operating margin.
- Any unplanned capex leading to 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 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 over the past three years from ~82% in FY18 to ~93% in FY21.

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

The hospital is empaneled 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



Press Release

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**

Sooriya Hospital has reported steady growth in its operating income with a CAGR of ~7% during FY18-FY21. The growth was driven by gradual increase in occupancy and OPD income supported by its healthy occupancy level at ~93% along with an increase in average revenue per occupied bed (ARPOB) and improvement in pharmacy sales. The EBITDA of the firm witnessed gradual improvement over the past three fiscals (FY19-FY21) with healthy EBITDA margin mainly driven by improvement in ARPOB. Improvement in EBITDA lead to improvement in PAT from Rs.3.94 crore in FY18 to Rs.7.22 crore in FY21. Infomerics expects the growth will continue in near to medium term driven by healthy prospect in healthcare sector.

- **Moderate capital structure with gradual improvement in leverage ratios and moderate debt protection metrics**

The capital structure of the firm remained moderate. The overall gearing ratio deteriorated to 1.93x as on March 31, 2021 from 1.65x as on March 31, 2021 on account of increase in debt of the firm. Further, Total indebtedness of the firm as reflected by TOL/ATNW stood at 2.00x as on March 31, 2021. The debt protection metrics as indicated by interest coverage ratio and Total debt/GCA stood moderate at 2.07x (PY: 1.95x) and 11.50 years (8.43 years) respectively in FY21.

- **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.



Press Release

Key Rating Weakness:

- **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.62 crore in FY21 .

- **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 Sector Entities

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity Position: Adequate

Sooriya Hospital earned a gross cash accrual of Rs.8.88 crore in FY20 and Rs. 8.79 crore in FY21 as against repayment obligations of Rs. 5.50 crore and Rs. 6.23 crore. Accordingly, the liquidity position of the firm is expected to remain adequate in the near to medium term. However, the average cash credit utilisation of the firm remained high at ~87% during the past 12 months ended November 2021 indicating a moderate liquidity cushion.



Press Release

About the Firm

Sooriya Hospitals (SH) is a Chennai based multi-specialty hospital with 135 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	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	62.76	65.36
EBITDA	17.53	17.91
PAT	7.28	7.22
Total Debt	84.16	108.61
Tangible Net worth	52.29	57.45
EBITDA Margin (%)	27.94	27.40
PAT Margin (%)	11.44	10.89
Overall Gearing Ratio (x)	1.65	1.93

*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 Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (October 05, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	79.80	IVR BBB-/	IVR BBB-/	-	-



Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (October 05, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
				Stable	Stable		
2.	Guaranteed Emergency Credit Line	Long Term	32.80	IVR BBB-/ Stable	-		
2.	Overdraft	Long Term	17.25	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Abhishek Nayak Tel: (033) 46022266 Email: abhishek.nayak@infomerics.com	Name: Mr. Sandeep Khaitan Tel: (033) 46022266 Email: 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,



Press Release

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 / Outlook
Term Loan 1	-	-	FY31	37.14	IVR BBB-/ Stable
Term Loan 2	-	-	FY31	3.22	IVR BBB-/ Stable
Term Loan 3	-	-	FY31	0.84	IVR BBB-/ Stable
Term Loan 4	-	-	FY23	1.00	IVR BBB-/ Stable
Term Loan 5	-	-	FY23	0.70	IVR BBB-/ Stable
Term Loan 7	-	-	FY25	3.17	IVR BBB-/ Stable
Term Loan 8	-	-	FY28	14.91	IVR BBB-/ Stable
Term Loan 9	-	-	FY28	5.65	IVR BBB-/ Stable
Term Loan 10	-	-	FY28	9.68	IVR BBB-/ Stable
Guaranteed Emergency Credit Line 1	-	-	FY31	16.40	IVR BBB-/ Stable
Guaranteed Emergency Credit Line 2	-	-	FY31	16.40	IVR BBB-/ Stable
Vehicle Loan	-	-	FY25	0.70	IVR BBB-/ Stable
Term Loan - New	-	-	FY28	2.00	IVR BBB-/ Stable
Term Loan	-	-	FY23	0.79	IVR BBB-/ Stable
Overdraft	-	-	-	17.25	IVR BBB-/ Stable
Total				129.85	

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Sooriya-Hospital-lenders-jan22.pdf>



Press Release

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Guaranteed Emergency Credit Line	Simple
3.	Overdraft	Simple

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.

