Press Release

Sooriya Hospital

January 30, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	393.51 (enhanced from Rs. 178.84 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Rating reaffirmed	Simple
Total	**393.51 (INR three hundred ninety-three crore and fifty-one lakhs only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3

Detailed Rationale

The reaffirmation of the long-term rating assigned to the bank facilities of Sooriya Hospital (SH) considers the strength from its extensive experience and established track record of the promoters in healthcare industry, multispecialty facilities with satisfactory occupancy, corporate tie-ups with reputed organizations, moderate capital structure with satisfactory debt protection metrics, healthy growth prospects for Indian healthcare industry. However, these rating strengths remain constrained due to substantial debt funded capex in the near term, moderate scale of operations, risks in partnership constitution, susceptibility to regulatory risks, intense competition, and reputational risk.

The long-term rating outlook is Stable as the firm will benefit from the extensive experience of the promoters coupled with favourable industry outlook.

Infomerics has also withdrawn the long rating of 'IVR BBB-/ Stable' assigned to one of the term loans of Sooriya Hospital with immediate effect. The withdrawal has been taken at the request of Sooriya Hospital and 'No Due Certificate' received from Indian Bank. The rating is withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability leading to improvement in debt protection metrics and liquidity on a sustained basis
- Sustenance of the capital structure with improvement debt protection metrics

Downward Factors

- Moderation in revenue and/or moderation in profitability impacting the gross cash accruals on a sustained basis
- Moderation in the capital structure with overall gearing ratio deteriorated and deterioration in interest coverage ratio
- Any time or cost overrun in the ongoing capex or change in scope of the project impacting the liquidity.

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 the 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 and the occupancy rate is 89% in FY24 (refers to period April 1st, 2023, to Mar 31, 2024).

Corporate tie-ups with reputed organizations

The hospital is empanelled 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 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.

Moderate capital structure with satisfactory debt protection metrics

The capital structure of the firm is moderately comfortable as on March 31, 2024, with its satisfactory net worth base of Rs.111.21 crore supported by accretion of profits. Further, the adjusted tangible net worth (ATNW) stood at Rs.101.71 crore (excluding investments in group firm worth Rs.9.50 crore). The Overall gearing stood moderate and improved to 1.85x as on March 31, 2024 as against 2.24x as on March 31, 2023. Long term debt to equity also improved and stood at 1.69x as on March 31, 2024, as against 2.11x as on March 31, 2023. Overall indebtedness of the firm marked by TOL/TNW improved and stood at 1.96x as on March 31, 2024, against 2.34x as on March 31, 2023. The debt protection metrics marked by interest coverage ratio stood at 2.14x as on March 31, 2024, against 2.02x as on March 31, 2024. Total Debt by EBIDTA remain moderate and stood at 5.92x as on March 31, 2024, against 7.04x as on March 31, 2023. DSCR also stood at 1.06x as on March 31, 2024, and 1.05x as on March 31, 2023.

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.

Key Rating Weaknesses

Substantial debt funded capex in the near term

The firm plans to expand its capacity by 450 beds, including a 200-bed super specialty hospital in Nungambakkam, Chennai, adjacent to its existing facility, a 150-bed multi-hospital in Tirunelveli, and a 100-bed multi-hospital in Nagercoil in the near term. The total project cost is Rs. 384.98 crore, funded through term loans of Rs. 230 crores and partners' contribution of Rs. 154.98 crore. So far, Rs. 177.00 crores have been spent, with Rs. 110.12 crore financed through bank loans and the remaining amount contributed by partners. The firm expects to complete the Tirunelveli facility by April 2025, while the Nagercoil and Nungambakkam hospitals are projected to be finished by September 2026 and December 2026, respectively. The successful completion of the expansion plan within the stipulated cost and time-frame would be a key rating sensitivity, going forward.

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.90.75 crore in FY24.

Risks in partnership constitution

Being a partnership firm, it is vulnerable to capital withdrawals by the partners

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 Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Policy on default recognition

Complexity level of rated Instruments/Facilities

Policy On Withdrawal of Ratings

Liquidity – Adequate

The liquidity of the firm is expected to remain adequate marked by its expected healthy gross cash accruals vis-à-vis its debt repayment obligations in the projected tenure. The firm has earned a gross cash accrual of Rs.14.28 crore in FY24. Further, the firm has projected to earn sufficient cash accruals in the range of ~Rs. 25.00 crore and Rs. 71.00 crore in comparison to its debt repayment obligation of Rs 23.00 crore to Rs 27.00 crore in the projected period of FY25 to FY27. Moreover, the average fund-based limit utilization of the group remained adequate at ~54% indicating a satisfactory liquidity buffer

About the firm

Sooriya Hospital (SH) is a Chennai based multi-specialty hospital with 290 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*	31-03-2023	31-03-2024
	Audited	**Audited**
Total Operating Income	81.71	90.75
EBITDA	26.68	31.77
PAT	12.90	14.28
Total Debt	187.78	188.05
Adjusted Tangible Net Worth	83.98	101.71
EBITDA Margin (%)	32.65	35.01
PAT Margin (%)	15.47	15.70
Adjusted Overall Gearing Ratio (x)	2.24	1.85
Interest Coverage (x)	2.02	2.14

**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 Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24**	**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in 2021-22**
					(March 14, 2024)	(March 7, 2023)	(January 04, 2022)
1.	Term Loans	Long Term	376.26	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable
2.	Secured Overdraft	Long Term	15.75	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-
3.	SBB Merchant Loan	Long Term	1.50	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-

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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).

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan I	-	-	-	August 2031	24.88	IVR BBB-/ Stable
Term Loan II	-	-	-	July 2031	2.16	IVR BBB-/ Stable
Term Loan III	-	-	-	July 2031	0.57	IVR BBB-/ Stable
Term Loan VIII	-	-	-	May 2028	8.86	IVR BBB-/ Stable
Term Loan IX	-	-	-	May 2028	3.23	IVR BBB-/ Stable
Term Loan X	-	-	-	-	-	Withdrawn
GECLS 2.0	-	-	-	May 2026	5.40	IVR BBB-/ Stable
GECLS 3.0	-	-	-	August 2027	11.47	IVR BBB-/ Stable
Term Loan XI IND Sanjeevini GECLS 4	-	-	-	December 2026	0.92	IVR BBB-/ Stable
Term Loan XII	-	-	-	February 2033	88.77	IVR BBB-/ Stable
Term Loan XIII	-	-	-	April 2035	118.00	IVR BBB-/ Stable
Term Loan XIV	-	-	-	April 2035	72.00	IVR BBB-/ Stable
Term Loan XV	-	-	-	April 2035	40.00	IVR BBB-/ Stable
Secured Overdraft	-	-	-	-	15.75	IVR BBB-/ Stable
SBB Merchant Loan	-	-	-	-	1.50	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-sooriya-hospital-jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.