

Press Release**United Ciigma Institute of Medical Science Private Limited****April 15, 2019****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Debt - Term Loan	126.75	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
2.	Long Term Fund Based Limits	20.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
	Total	146.75	

Details of Facilities are in Annexure 1**Detailed Rationale**

The rating derives strength from experienced and highly qualified promoters, strong business growth, modern infrastructure and latest equipment, strong and improving profitability margins, corporate tie-ups with reputed clients and healthy growth prospects for Indian healthcare industry. The rating however is constrained by high overall gearing and moderate debt coverage indicators, geographical concentration risk, capital intensive nature of industry, working capital intensive operations and highly competitive healthcare industry. Gearing level, working capital management and profitability are the key rating sensitivities.

List of key rating drivers with detailed description**Key Rating Strengths****Experienced and highly qualified promoters**

UCIMS is managed by a team of qualified & experienced professionals under the guidance of a four member Board of Directors led by Dr. Unmesh Takalkar, the promoter of the company. Dr. Takalkar is a highly qualified and reputed medical professional with an experience of over 25 years.

Strong business growth

The business of the hospital has shown considerable growth since commencement of its operation since 2013. In a short span of five years, the number of beds have increased from 99 in FY15 to 147 in FY19. Along with the increase in number of beds, the occupancy rate of the

hospital has also improved significantly from ~82% in FY15 to ~96% in FY19 and increase in the number of OPD (Out Patient Department) patients.

Modern infrastructure and latest equipment

The hospital has state-of-art equipment and facilities available for its patients. It is a leading mutli-speciality hospital with NABH accreditation. The medical services provided by the hospital are in the fields of Gastroenterology, Nephrology, Cardiology, Neurology, Oncology etc. UCIMS has an in-house oxygen manufacturing facility for meeting the oxygen requirements of the hospital, thereby eliminating the need of storing oxygen cylinders.

Strong & improving profitability margins

Profitability margins of the hospital has generally been comfortable. The EBIDTA margin of the company has remained comfortable over the last three years. The PBT margin improved in FY19 (provisional) primarily due to higher non-operational income and lower interest cost in FY19.

Corporate tie-ups with reputed clients

The hospital has tie-ups with many central and state government entities like BSNL, Postal Dept., AAI, Central Excise Dept., etc. The hospital is also approved for 84 different schemes run by the central and state governments.

Healthy growth prospects for Indian healthcare industry

The Indian healthcare industry is growing at a tremendous pace owing to its increasing outreach, better services and increasing expenditure by public as well private players. The central government's thrust towards the healthcare sector including steps proposed in the Union Budget for Ayushman Bharat of Rs.10,000 crore is expected to benefit the players in this industry. UCIMS, being a pioneer in treating patients below the poverty line, will benefit from these steps which shall bolster its performance, going forward.

Key Rating Weakness

High overall gearing and moderate debt coverage indicators

The overall gearing ratio was high as on March 31, 2019 (provisional) due to significant long term debt. The total debt to GCA, term debt to GCA and other debt coverage indicators were moderate as on March 31, 2019. The interest coverage ratio was moderate at 1.83x in FY19, which has improved from 1.44x in FY18.

Geographical Concentration risk

UCIMS operates in the city of Aurangabad. Further all other hospitals under Ciigma group; Kodlikeri Memorial Hospital, Ciigma Hospital and United Ciigma Healthcare are located in Aurangabad as well. The portfolio of Ciigma group is limited in number, size and location as compared to other large hospital groups like Fortis, Apollo, Manipal group, etc. However, the capacity of all the hospitals taken together is sizeable.

Capital intensive nature of the industry

The hospital segment is capital intensive with a usually long gestation period. Generally, the payback period for a new hospital is about 5-6 years. Further, the maintenance capex required for a hospital is high owing to regular replacement/addition of equipment to remain updated with the latest technology.

Working capital intensive operations

Over the years, a high proportion of business comes from central and state government health schemes. The recovery of charges from this segment is generally delayed resulting in higher debtor days. However, this has been supported by high creditor days. Measures have been taken by the hospital over the last year resulting in improvement in the recoverability from debtors.

Highly competitive healthcare industry

The healthcare industry is very competitive with a large number of established organized players and their growing network of hospitals. The healthcare and specialty hospital sector mainly comprises large national level players, organized regional players, government hospitals, charitable trusts and a significant number of nursing homes and multi-specialty clinics, making the sector highly competitive.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Service Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

Liquidity

The company is earning a moderate level GCA and the same is expected to increase gradually with increase in scale of operation. The utilization of working capital limits remained moderate during the 12 months ended February 28, 2019 indicating moderate liquidity position. The company maintains sufficient cash and bank balance to meet its liquidity requirements. The projected DSCR and ICR indicate a moderate degree of liquidity support to the company in meeting its interest obligations.

About the Company

United CIIGMA Institute of Medical Sciences Ltd (UCIMS) is a private limited company incorporated in Feb 2011 by Dr. Unmesh Takalkar. UCIMS is the first NABH accredited hospital in the Marathwada region in the belt between Pune and Nagpur in Maharashtra. Dr. Takalkar, CMD of the hospital is a highly qualified medical professional with a long experience of 25 years. Prior to founding UCIMS, he was in practice at Kodlikeri Memorial Hospital, Aurangabad. Dr. Takalkar is also the Managing Director in Ciigma Institute of Medical Science Private Limited, Aurangabad. He is also the CMD of United Ciigma Hospitals Healthcare Pvt. Ltd. (UCHH). The scale of operation in these other hospitals of the Ciigma group is much smaller in comparison with United Ciigma. The hospital is an approved hospital for about 84 schemes. There are 147 beds available in the hospital as of 31st March, 2019 with occupancy level of around 96%. Eminent medical surgeons, Padma Bhushan Dr. D. Nageshwara Reddy (Chairman of Asian Institute of Gastroenterology, Hyderabad) and Padma Bhushan Dr. Suresh Advani are also associated with United Ciigma.

Financials (Standalone)

	(Rs. crores)	
For the year ended* / As on	31-03-2018 (Audited)	31-03-2019 (Provisional)
Total Operating Income	80.44	95.35
EBITDA	29.45	36.02
PAT	4.47	9.76
Total Debt	145.31	143.03
Tangible Networth	36.15	45.91
EBITDA Margin (%)	36.61	37.77
PAT Margin (%)	5.40	10.03
Overall Gearing Ratio (x)	4.02	3.12

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: India Ratings which has earlier rated the company, has classified it as “Issuer Not Cooperating” category due to unavailability of adequate information as per Press Release dated July 5, 2018.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Term Debt	Long Term	126.75	IVR BBB/Stable Outlook	--	--	--
2.	Fund Based Facilities - CC	Long Term	20.00	IVR BBB/ Stable Outlook	--	--	--

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. Abhilash Dash

Tel: (022) 62396023

Email: abdash@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. 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
Long Term Debt - Term Loan	--	--	Dec 2030	126.75	IVR BBB/ Stable Outlook
Long Term Fund Based Limits – Cash Credit	--	--	--	20.00	IVR BBB/Stable Outlook