Press Release

Nayati Healthcare & Research Private Limited

May 06, 2019

Rating

Instrument/Facility	**Amount (Rs. Crores)**	**Rating Assigned**
Long Term Fund Based Limits	45.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
Long Term Fund Based Limits (Proposed)	10.75	
Long Term Loans	404.25	
Total	**460.00**	

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid rating assigned to Nayati Healthcare & Research Private Limited (NHRPL) is majorly derived from experienced management, state-of-the-art-hospital catering to niche segments, locational advantage, improving occupancy and increasing Government thrust to the healthcare segment. However, the rating is constrained by nascent stage of operation, low profitability, project expansion risk, leveraged capital structure and weak debt protection metrics, capital intensive nature of industry and fiercely competitive healthcare industry. Growth in scale of operation & profitability, leverage and successful completion of project expansion are the key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced management

NHRPL's chairperson is Ms. Niira Radia, who has offered consultancy services in the past to the Tata Group, Vedanta Resources, Reliance Group along with various other clients. Further, Ms. Karuna Menon and Mr. Satish Kumar Narula being also on the board of NHRPL, are looking after the day-to-day affairs of the company. Ms. Karuna Menon has over 30 years of experience spanning diverse sectors such as banking, hospitality, aviation, and communications. Mr S.K. Narula, a former Chairman of the Airports Authority of India and a former Executive Director in Power Grid Corporation of India has an administrative experience of over 40 years in the field of Power, Infrastructure and Aviation sectors.

State-of-the-art-hospital catering to niche segments

Nayati Medicity is a Multi Super-Speciality tertiary care hospital located in Western Uttar Pradesh. The hospital provides treatments in various specialized segments like oncology, neurology, neurosurgery, renal sciences, etc. It is currently a 351-bedded facility with around 70 beds dedicated to the critically and terminally ill patients.

Locational advantage

The company has set base in Mathura, which lacks critical and speciality healthcare amenities. As indicated by the management, NHRPL's hospital is a one-off state-of-the-art facility in the entire western Uttar Pradesh, promising potential business growth for the entity.

Improving occupancy

Due to the diversity in various treatments provided along with the commencement of various new divisions, the occupancy level for the company is improving. During its first full year of operations, the occupancy level stood at 51% which improved to 65% during FY18 and further, grew with encouraging management to put additional beds to meet the growing demand.

Increasing Government thrust to the healthcare segment

The government thrust towards the healthcare sector including steps proposed in the last Union Budget is expected to benefit the players in this industry. NHRPL may benefit from these steps which may bolster its performance going forward.

Key Rating Weaknesses

Nascent stage of operation

The company's hospital at Mathura, which is its first full-fledged facility, effectively commenced operation from May 2016 reflecting a track record of less than 3 years of operation in the healthcare segment.

Low Profitability

During FY18, the company generated total revenue of Rs. 214.70 crore and EBITDA of Rs. 34.84 crore. However, due to the high finance costs and depreciation, the company reported net loss of Rs.27.88 crore.

Project expansion Risk

The company plans to expand its existing Mathura facility by another 200 beds from the current level of 351 beds. The expected cost of the project is Rs.300 crore. The total cost incurred, till date, for the same is Rs. 65 crore. The size of the project is substantial as compared to the present net worth of the company.

Leveraged Capital Structure and weak debt protection metrics

The total cost of the two facilities at Agra and Mathura was Rs.384.07 crore which was funded by equity, Compulsory Convertible Debentures and term loan. The company has an overall gearing ratio of 1.28x as on March 31, 2018. However, it has fully drawn down debt of Rs. 249.25 crore for completion of its existing project till now.

Capital intensive nature of industry

The hospital segment is capital intensive industry with a long gestation period. Generally, the payback period (PBP) for a new hospital is in the range of 5-6 years. Further, the maintenance capex required for the hospital industry also remains high owing to regular replacement of equipment to remain updated with the latest technology.

Fiercely 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 hospitals sector mainly comprises of large national level players, organized regional players, government hospitals, charitable trusts and a large number of nursing homes and Multispecialty clinics, making it highly competitive.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Service companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The repayment of loans is with sufficient moratorium and the repayment starts from FY20 when the company is expected to achieve 85% bed occupancy to generate sufficient revenues to meet debt repayment obligations. Promoters have financially supported the operation of the business as and when required and the same is expected going forward and a part of which is reflected in increase in net worth on this score. All these factors indicate a moderate degree of liquidity support to the company in meeting its debt obligations. The level of fund-based working capital limit is relatively lower vis-à-vis the scale of operation which may provide additional comfort on enhancement.

About the Company

Incorporated in 2013, Nayati Healthcare & Research Private Limited (NHRPL) is a healthcare venture, promoted by former public relations veteran, Ms. Niira Radia. The company is a 100% subsidiary of Naaraayani Investment Private Limited (NIPL) in which Nira Radia & Associates holds 100.00% stake through various investment vehicles. The company runs a 351 bedded hospital in Mathura & 60 bedded hospital at Agra, under the name of "Nayati Medicity". The hospital commenced operations from May 2016. The hospital offers treatments in various disciplines like Cardiology, Cardio-thoracic surgery, Gastroenterology, Oncology, Neurology, Neurosurgery, Emergency & Trauma care, Orthopaedics, etc. The company plans to further expand its Mathura facility by another 200 beds as aforesaid, at a cost of Rs.300 crore to be funded at a debt equity ratio of 1.5:1.

Financials (Standalone) **(Rs. crore)**

For the year ended/ As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	135.06	214.70
EBITDA	18.54	34.84
PAT	-19.83	-27.88
Total Debt	152.29	271.08
Tangible Net worth	149.72	211.79
Ratios		
EBITDA Margin (%)	13.73	16.23
PAT Margin (%)	-14.65	-12.94
Overall Gearing Ratio (x)	1.02	1.28

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Mr. Alok Kumar Misra who is a member of the Board of Directors of INFOMERICS is on the Board of Nayati Healthcare & Research Pvt. Ltd. He does not participate in any of the discussions and processes related to the aforesaid rating.

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. Crores)	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.	Long Term Fund Based Limits	Long Term	45.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	-	-	-
2.	Long Term Fund Based Limits (Proposed)	Long Term	10.75		-	-	-
3.	Long Term Loans	Long Term	404.25		-	-	-

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.

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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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crores)	Rating Assigned/ Outlook
Long Term Fund Based Limits	-	-	-	45.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
Long Term Fund Based Limits (Proposed)	-	-	-	10.75	
Long Term Loans	December 2018	MCLR+ 1.65%	December 2033	404.25	