



# Infomerics Valuation And Rating Pvt. Ltd.

Press Release

## Glocal Healthcare Systems Private Limited.

June 5, 2018

### Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank facilities	40.00	IVR BB /Stable (IVR Double B with Stable Outlook)	Assigned
<b>Total</b>	<b>40.00</b>		

Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of Glocal Healthcare Systems Private Limited (GHSPL) derive comfort from its experienced promoters and their strong management, the state-of-the-art-hospitals catering to mass segments, affordable healthcare in underserved areas providing good growth potential and increasing government thrust to the health care segment. However, the rating is constrained by its losses in the past few years, low levels of occupancy which however is increasing, project expansion risk, leveraged capital structure and weak debt protection metrics, concentration risk, capital intensive nature of industry, and presence in a fiercely competitive healthcare industry. Growth in scale of operations, profitability, leverage and successful project implementation are the key rating sensitivities.

### List of Key Rating Drivers

- Experienced promoters & strong management
- State-of-the-art-hospital catering to mass segments
- Affordable healthcare in underserved areas providing good growth potential
- Increasing Government thrust to the healthcare segment
- Losses in the past few years
- Low levels of occupancy; however improving
- Project expansion Risk
- Leveraged Capital Structure and weak debt protection metrics
- Concentration Risk
- Capital intensive nature of industry
- Fiercely competitive healthcare industry

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### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### *Experienced promoters & strong management*

GHSPL's, Founder & CEO, Dr. Syed Sabahat Azim has vast experience of two decades in the medicine as well as technology field. He has served as secretary to the Honourable Chief Minister of Tripura. He has an experience in setting up Sahaj E-Village which took technology to rural masses. Co-Founder & Chairman Mr. Meleveetil Damodaran, is the Ex-chairman of SEBI and is immensely experienced in the corporate world. The key management personnel including Major Ashutosh Srivastava and Mr. Gautam Chawdhury at the company have adequate experience in the hospital industry.

##### *State-of-the-art-hospital catering to mass segments*

GHSPL's smart 100 bed modular hospital set up with building design has resulted in low capex and opex per bed. They have adopted innovative processes to improve work-flow efficiencies with the help of technology developed by the team where there is virtual interaction with the doctor and the patient comes out completely diagnosed in less than an hour. It has introduced the concept of closed ICU which has helped in keeping costs low with optimal outcomes and ensuring evidence-based, fully transparent and documented process of disease management. The same would reduce overall cost of healthcare to the patient, which would help the company to target the lower income population.

##### *Affordable healthcare in underserved areas providing good growth potential*

The company has set up its headquarters in Kolkata while all the hospital and dispensaries are targeted to come up in semi-urban & rural segment to provide affordable healthcare to the unserved/underserved population. Glocal currently has 11 operational hospitals. Glocal currently has set up 11 hospitals in Kharagram, Dubrajpur, Behrampore, Bolpur, Sonamukhi (all in WB) and 6 hospitals under the LLP model in – Krishnanagar (West Bengal), Jeypore (Odisha), Amroha (Uttar Pradesh), Muzaffarpur, Bhagalpur and Begusarai (in Bihar).

GHSPL has also come up with Digital Dispensaries where healthcare embraces technology. GHSPL has developed various models which cater to the digital dispensaries and reduces human interface. The company has received orders for Digital Dispensary set ups on a large scale. The company has set up 226 Digital Dispensaries out of which, 100 has been set up in

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the state of Rajasthan on the request of the State Government. The company had set up 25 Digital Dispensaries in the district of Navrangpur, Orissa which is among its remotest location. The success of this set-up has helped company bag a major order of installing Digital Dispensaries.

### *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. GHSPIL may benefit from these steps which may bolster its performance going forward.

### **Key Rating Weaknesses**

#### *Losses in the past few years*

During FY17, the company generated total operating revenue of Rs.51.63 crore and negative EBITDA of Rs. (15.08) crore, due to high OPEX and overheads and low level of occupancy of the hospitals. Further, due to the high finance costs and depreciation, the company reported net loss of Rs.34.45 crore in FY17 as against net losses of Rs.20.73 crore in FY16.

#### *Low levels of occupancy; however improving*

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 FY17, the occupancy level stood at 16% which improved to 21% during FY18. However, overall the occupancy levels remain low. The hospitals set up earlier are running at occupancy of 30-40%. They have established 11 hospitals in eight years of operation. The hospitals initially set up have higher occupancy rate as compared to the newer set up hospitals.

#### *Project expansion Risk*

The company plans to expand its operations by building more hospitals, digital dispensaries as well as expanding its existing facilities & upgrading its Digital Dispensary software. The company plans to build more hospitals digital dispensaries. The size of the project is substantial as compared to the present network of the company. Successful commissioning of the same and post implementation viability are the key rating monitorable.

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*Leveraged Capital Structure and weak debt protection metrics*

The total cost of the 11 facilities, was approximately Rs. 160 crore which has been funded by equity (Rs.0.44 crore), Compulsory Convertible Preference Shares (Rs. 40.27 crore), Securities Premium (Rs. 32.22 crore) and term loan (Rs.87.07 crore). The company's overall gearing ratio in FY17 is very high due to losses in the current year resulting in low networth and high overall gearing ratio. The company is servicing its debt obligations through regular capital infusion.

### *Concentration Risk*

The company's portfolio comprises of 11 hospitals which are located mainly in the eastern region. The portfolio is thus concentrated.

### *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:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **About the Company**

Incorporated in 2010, Glocal Healthcare Systems Private Limited (GHSPL) is a healthcare venture, promoted by former chairman of SEBI, Mr. Meleveetil Damodaran & Dr. Syed Sabahat Azim, former Secretary to the Honourable Chief Minister of Tripura.

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GHSPL currently has 11 operational hospitals. The first 5 hospitals set up in West Bengal started in the first two years of its operation. In 2015, it has successfully set up 6 more hospitals in the Limited Liability Partnership model in various parts of the country including West Bengal, Odisha, Uttar Pradesh, and Bihar. All these hospitals have around 100 bed capacity. Further, 6 hospitals are under construction in the eastern region. GHSPL intends to setup modernised hospitals, in the un-served/underserved urban, semi-urban and rural parts of India.

Apart from the hospital business GHSPL, has set up 226 Digital Dispensaries which provide virtual healthcare services of premium doctors, as well as diagnostic tests & medicines - all powered and backed by a Clinical Decision Support System which reduces chances of human error.

### Financials (Consolidated):

For the year ended* / As On	(Rs. crore)	
	31-03-2016	31-03-2017
	Audited	Audited
Total Operating Income	34.04	51.63
EBITDA	-13.26	-15.08
PAT	-20.73	-34.45
Total Debt	125.22	138.03
Tangible Net worth**	25.83	3.36
EBITDA Margin (%)	-38.94	-29.20
PAT Margin (%)	-65.15	-73.55
Overall Gearing Ratio (x)	4.85	41.07

\*Classification as per Infomerics' standards.

\*\* Tangible Net worth is exclusive of revaluation reserve, goodwill & intangible assets.

**Status of non-cooperation with previous CRA:** CARE has flagged its rating to 'Issuer not co-operating' vide press release dated Mar 07, 2018 on account of failure of the borrower to submit information as required by CARE.

**Any other information:** Nil

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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits - Term Loan	Long Term	30.00	IVR BB / Stable Outlook	-	-	-
2	Long Term Fund Based Limits - Cash Credit	Long Term	5.00	IVR BB / Stable Outlook	-	-	-
3	Long Term Non-Fund Based Limits – Bank Guarantee	Long Term	5.00	IVR BB / 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](http://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. 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.

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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	March-2017	12.30%	Dec-2024	30.00	IVR BB /Stable Outlook
Cash Credit	-	-	-	5.00	IVR BB /Stable Outlook
Bank Guarantee	-	-	-	5.00	IVR BB /Stable Outlook