

Suasth Health Care (India) Private Limited

March 21, 2018

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	220.0 (Rupees Two Hundred Twenty crore Only)	CARE D	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Suasth Health Care (India) Pvt Ltd (SHPL) takes into account the ongoing delays in interest servicing due to tight liquidity position. There has been time and cost overrun in the project.

Detailed description of the key rating drivers

Key Rating Weaknesses

Ongoing delays in the account

The banker has confirmed that there are ongoing delays in the interest servicing. The bank had recovered overdue interest and penal interest of the term loan facility for the month of Nov-17, Dec-17 and part of Jan-18 by utilization of DSRA. However, there is no balance in DSRA account at present.

Time and cost over-run in the project

There has been both cost and time overrun in the project and the project is now proposed to be setup at a total cost of Rs.405 crore and expected to commence commercial operations in two phases in January 2019 (150 beds) & January 2020 (221 beds) from the estimated cost of Rs.371.9 crore and commencement date of January 2018 (150 beds) & January 2019 (221 beds).

SHPL has spent Rs.297.68 crore till November 23, 2017 (as per CA certificate; financed through promoter's contribution of Rs.97.59 crore (out of promoter's fund requirement of Rs.185 crore), term loans of Rs.189.86 crore (out of sanctioned term loan of Rs.220 crore) and current liabilities of Rs.10.23 crore). The company has incurred about 74% of the total project cost.

High vulnerability to treatment-related risks

Healthcare is a highly sensitive sector, which is vulnerable to treatment related risks. Thus, all the healthcare providers need to monitor each case diligently and maintain standard of services in order to avoid the occurrence of any unforeseen incident.

Capital intensive nature of business

The hospital industry is a capital intensive industry with a long gestation period. The payback period for a newly set-up hospital generally ranges between 4-5 years due to lower occupancy rate in the initial phase of operation. Further, hospitals require capex for maintenance activities owing to regular replacement of equipments to remain updated with the latest technology which also adds up to the cost going forward.

Due to regular delays in implementation of the project, there has been a significant cost overrun over the years with the estimated cost almost doubling from the original cost. This increases the burden on the promoters for additional infusion of funds in the project.

Key Rating Strengths

Experienced promoters

SHPL belongs to the Kanoria family of Kolkata which is into infrastructure and equipment financing; telecom tower infrastructure, renewable energy, equipment finance and leasing; insurance broking and venture capital.

Dr. Sanjeev Kanoria, aged 53 years, is a MBBS from Calcutta, FRCS (England and Glasgow), MBA (London Business School), FRCS (transplant from intercollegiate board of UK) and Phd (University college, London) and specializes in liver transplantation, Pancreatic and oncology surgery. He is an eminent doctor with over two decades of 'experience (of which one year is also in India) and is on the General Medical Council special Register in the UK.

Analytical Approach: Standalone

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Applicable Criteria[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Financial ratios – Non-Financial Sector](#)[Rating Methodology – Service Sector Companies](#)**About the Company**

SHPL was originally incorporated as Aerimid Healthcare (India) Pvt Ltd on December 1, 2008 by the Kanoria family of Kolkata for setting up a multi-specialty hospital in Navi Mumbai, Maharashtra. Subsequently, its name was changed to Advinia Healthcare (India) Private Ltd. (AHPL) and finally to its present name, SHPL, on June 17, 2013.

SHPL is currently setting up 371-bed multi-specialty hospital in the name of 'Suasth Healthcare Centre' at Kalamboli, Navi Mumbai. The hospital proposes to offer a wide array of healthcare facilities encompassing cardiology, neurology, cardiac surgery, neuro surgery, gastroenterology, orthopedic, oncology, etc. with special emphasis on gastroenterology. This apart, the hospital also plans to house related services such as health & wellness centre and service apartments.

Status of non-cooperation with previous CRA: Nil**Any other information: Not Available****Rating History (Last three years): Please refer Annexure-2**

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Dec 2029	220.00	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	220.00	CARE D	-	1)CARE BBB-; Stable (14-Dec-16)	1)CARE BBB- (15-Mar-16)	1)CARE BBB- (15-Jan-15)

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