

## Asarfi Hospital Limited

March 02, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	25.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>25.00</b> <b>(Rs. Twenty-Five Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Asarfi Hospitals Limited (AHL) to monitor the rating(s) vide e-mail communications dated October 11, 2021, February 18, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, AHL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on AHL's bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The rating continues to remain constrained by small scale of operation, limited geographical reach, competition from established players in the region and high regulation by the government and other bodies with reputational risk. The rating, however, derives comfort from experienced promoters, satisfactory operational parameters and occupancy rate, steady average length of stay (ALOS), moderate average revenue per occupied bed (ARPOB), healthy profitability margins and comfortable overall solvency position.

### Detailed description of the key rating drivers

At the time of last rating on March 22, 2021, the following were the rating strengths and weaknesses (updated from the information received from the client):

#### Key Rating Weaknesses

##### **Small scale of operation**

AHL is a relatively small player with net-worth base of Rs.17.13 crore and total operating income (TOI) of Rs.54.38 crore in FY21. The small size restricts the financial flexibility of the firm in times of stress and deprives it from benefits of economies of scale.

##### **Risk associated with expansion project**

The company has planned to come with comprehensive cancer hospital with the facility of 100 beds, which have Radiation Oncology, Medical Oncology and Surgical Oncology departments for treatment of Cancer and the requisite high-end diagnostics and radiotherapy facilities to complete care to the patient under one roof. The total project cost is estimated to be Rs.73.14 crore, which will be funded through term loan of Rs.45.00 crore and balance Rs.28.14 crore through promoter's contribution and internal accruals. The company has already acquired land of 9.55 acre from Jharkhand government on lease. Further, the company has already spent Rs.4.73 crore (i.e. 6.47% on total project cost) on the aforesaid expansion till February 28, 2021, funded by promoters' contribution and the project is estimated to be completed by March, 2023.

##### **Limited geographical reach and competition from established players in the region**

The company is operating a single hospital in Dhanbad (Jharkhand). This limits the ability to tap opportunities and revenue. Further, though the hospital has an established health care service and emergency service, it faces stiff competition from several other private hospital chains. This leads to competition not only in acquiring patients, but also in attracting medical professionals.

##### **Highly regulated by the government and other bodies with reputational risk**

Healthcare sector is highly regulated requiring various statutory approvals. Moreover, healthcare is a highly sensitive sector where any mishandling of a case or negligence on part of any doctor and/or staff of the unit can lead to distrust among the masses. Thus, all the healthcare providers need to monitor each case diligently and maintain standard of services in order to

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

\*Issuer did not Co-operate; Based on best available information

avoid the occurrence of any unforeseen incident. They also need to maintain high vigilance to avoid any malpractice at any pocket.

### Key Rating Strengths

#### **Experienced promoters**

The company is managed by a four-board member headed by Mr. Udai Pratap Singh, Mr. Gopal Singh, Ms. Madhuri Singh and Dr. Sukanti Kumar Das is a qualified MBBS, DGO, MS as well as specialist of Obs. and Gynae. and having more than four decades of experience in similar line. He looks after the day to day operation of the hospital. Further, the key promoter Mr. Udai Pratap Singh, who have around two decades of experience in the similar industry looks after the day to day operations of the company along with other technical and non-technical professionals.

#### **Healthy operational parameters with strong occupancy rate, steady average length of stay (ALOS) and moderate average revenue per occupied bed (ARPOB)**

The overall occupancy rate of AHL has improved to 70% in FY20 from 58% in FY19 and 50% in FY18 due to better service which has resulted in increase in patient and VHL reported a moderate average revenue per occupied bed though it has moderate to Rs.60,000 in FY20 (from Rs.46,000 in FY19 and Rs.50,000 in FY18) as health care treatment is not much expensive among others. The average length of stay per patient remained stable during FY18-FY20.

#### **Moderate financial performance in FY21**

The profit margins remained healthy marked by operating margin of 15.42% (FY20:15.19%) and PAT margin of 6.70% (FY20: 6.40%) on a TOI of Rs.54.38 crore in FY21.

The capital structure continues to remain comfortable at 0.42x as on March 31, 2021.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non- financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Hospital](#)

### About the Company

AHL was incorporated in 2005 as a Private Limited Company. The constitution of the company was changed to a public limited company in 2012. AHL operates a 120 beds premium private general medical facility; renders health care services offering advanced medical care and emergency services. The Hospital has a full-fledged High Dependency Unit, Emergency Department, Outpatient consultation, CCU, ICU, NICU, SICU, Endoscopy, Neurosurgery and Cardiac unit equipped with modern equipment. Currently the hospital has 65 doctors out of which 40 in-house doctors and 25 visiting doctors, 174 nursing staff and 284 other supporting staffs.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	43.06	54.38	NA
PBILDIT	6.54	8.38	NA
PAT	2.76	3.64	NA
Overall gearing (times)	0.40	0.42	NA
Interest coverage (times)	12.44	13.37	NA

A: Audited; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Proposed	25.00	CARE BB; Stable; ISSUER NOT COOPERATING*

*\*Issuer did not Co-operate; Based on best available information*

**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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	25.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (22-Mar-21)	-	-

*\*Issuer did not Co-operate; Based on best available information*

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-** Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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