

Anandaloke Medical Centre Private Limited

March 03, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	57.11	CARE BBB-; Stable (Triple B Minus ; Outlook: Stable)	Assigned
Short term Bank Facilities	7.89	CARE A3 (A Three)	Assigned
Total Bank Facilities	65.00 (Rs. Sixty-five Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the Bank Facilities of Anandaloke Medical Centre Private Limited (AMCPL) derive strength from experienced promoters and management, satisfactory track record of operations with healthy occupancy rate, satisfactory infrastructure with wide services offerings, association with prominent and experienced team of doctors, empanelment with various established corporates, government organizations, insurance companies and TPA and moderate financial performance during FY18 (refers to the period April 01 to March 31) to FY20 and 9MFY21. However, the ratings are constrained by small scale of operations, stringent regulatory framework for healthcare industry, reputational risk, fragmented healthcare industry, capital intensive and human resource intensive nature of business, large size debt funded project being in nascent stage exposing company to project implementation risk.

Key Rating Sensitivities

Positive factors- Factors that could lead to positive rating action/upgrade:

- Successful completion of the ongoing project without significant time and cost overrun and deriving envisaged benefit therefrom
- Improvement in operating profit from existing hospital to above 20% on a sustained basis by improving ARPOB, given high occupancy rate

Negative factors- Factors that could lead to negative rating action/downgrade:

- Decrease in operating profit resulting in GCA going below Rs.4 crore on a sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management

The promoter director, Dr. Shusanta Kumar Roy (Managing Director; aged 67 years) has a rich experience of more than 4 decades in medical field with various hospitals and institutions. He holds an MD degree and is a well-known radiologist in eastern India. He looks after the overall management of the hospital with adequate support from his daughter Dr. Surupa Roy (Director) who is also M.D. (Radio Diagnosis), having a good experience of more than 15 years in the healthcare service industry. Both of them are assisted by a team of experienced and qualified professionals. Dr. Shusanta Kumar Roy's net worth as on March 31, 2020 was Rs.23.32 crore and Dr. Surupa Roy's net worth as on March 31, 2020 was Rs.1.80 crore.

Satisfactory track record of operations with healthy occupancy rate

AMCPL has a satisfactory track record of more than 17 years in the healthcare service industry. Over the years, it has established its brand name in Siliguri market as one of the leading hospitals. The occupancy rate in a hospital depends upon available infrastructure facilities, composition of doctor's, it's brand image, successful handling of cases and easy accessibility for the patient. The occupancy level has remained healthy and the same has increased from 87.60 % during FY18 to 91.00 % during FY20. This apart, Average Revenue per Occupied Bed (ARPOB) has grown at a CAGR of 17.46% from FY18 to FY20.

Moderate financial performance

The total revenue from operations grew at a CAGR of 23.67% from FY18 to FY20 (Rs.64.80 crore in FY20 vis-à-vis Rs.42.37 crore in FY18) on the back of improvement in the occupancy rate (91% in FY20 vis-à-vis 87.6% in FY18) and increase in revenue from sale of medicine and surgical equipment. However, PBILDT margin reduced during FY18-FY20 owing to higher sale of medicine and surgical equipment in FY20 having lower margin. Consequently, PAT level and margin also reduced marginally over the last three years. GCA stood satisfactory in the range of Rs.6.3 crore to Rs.6.9 crore during FY18-FY20.

Satisfactory infrastructure with wide service offerings

AMCPL, is well equipped with state-of-the-art-technology, modern hospital infrastructures like Cath lab, CT Scanning, Cardiology, Dialysis, Endoscopy, MRI scan, X-ray, etc. Furthermore, the hospital offers various in-patient and out-patient healthcare services and covers a wide range of healthcare services like Cardiology, E.N.T., Cosmetic Surgery, Cardio Thoracic, Neurology etc.

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

Association with prominent and experienced team of doctors

AMCPL has a wide variety of well qualified and experienced doctors/surgeons specializing in various departments like Radiology, Neurology, Gastroenterology, Cardiology etc. The average experiences of the doctors being more than 15 years. They have 200 nursing staffs and 300 other support staffs.

AMCPL has an edge over its competitors due to competitive advantage arising from prominent and highly reputed doctors like Dr. Shusanta Kumar Roy (Radiology), Dr. Ruplekha Roy (Gastroenterology), Dr. Anup Chakraborty (Neuro surgeon), Dr. Debojit Sarkar (Cardiologist), Dr. A.K Sasmal (Specialist in Orthopedics), Dr. Biswajit Dutta (Urosurgeon) and many other highly renowned doctors who have been associated with the hospital for over the years. Both in-house and visiting doctors are specialists in their respective fields and have a wide range of exposure.

Empanelment with various established corporates, government organizations, insurance companies and TPA

AMCPL has tied up with close to 30 corporates such as Airports Authority of India (AIA), Food Corporation of India (FCI), N.F. Railways, State Bank of India, Bajaj Allianz General Insurance Co. Ltd, Max Bhupa Health Insurance Co. Ltd., Paramount TPA Pvt Ltd, Govt. of Sikkim healthcare scheme, etc. for providing health care services to their employees. These tie-ups give access to reach out to and address a dedicated customer base thereby reducing advertising and branding cost to an extent and thus providing revenue stability. This helps in on-boarding patients with minimal hassle and ensures receipt of revenue and/or settlement of bills in a speedy manner. All these coupled with growing popularity has resulted in increased inflow of patients which has helped in maintaining a satisfactory occupancy rate over the years.

Satisfactory capital structure albeit expected to deteriorate due to proposed loan for new project

Despite the capital-intensive nature of business and reliance on infrastructure, equipment, and specialized and skilled human capital, the company's capital structure was comfortable at a debt-equity ratio of 0.24x as on March 31, 2020 (0.25x as on Mar 31, 2019) and healthy interest coverage ratio of 7.33x in FY19 and 6.02x in FY20. Further, AMCPL has a satisfactory overall gearing ratio of 0.50x as in March 31, 2020. AMCPL is proposing to avail a term loan of Rs.56.80 crore for its upcoming 150 bed hospital in Siliguri. Hence, the overall gearing ratio is expected to deteriorate in the near future after factoring the same.

Key Rating Weaknesses

Small scale of operations

Though the total operating income (TOI) has grown at a CAGR of 23.67% from FY18 to FY20 driven by healthy occupancy rate (91% in FY20 vis-à-vis 87.6% in FY18) and increase in revenue from sale of medicine and surgical equipment, the same continued to remain small with TOI of Rs. 64.80 crore in FY20. The management has also maintained that the AMCPL has achieved a turnover of Rs. 30.70 crore in 9MFY21. Further, the total capital employed by the company also remained low at Rs.45.13 crore as on March 31, 2020.

The table for revenue break-up is as follows :-

Particulars	FY18	FY19	FY20
Income from Operations	42.37	47.91	64.80
- Revenue from hospital	40.60	45.19	60.73
- Revenue from Nursing Institute	1.62	2.60	4.03
- Revenue from Paramedical Unit	0.15	0.12	0.04

Stringent Regulatory framework for healthcare sectors in India and reputational risk coupled with fragmented healthcare industry

Healthcare sectors in India continue to operate under strict regulatory control. In India, hospitals are governed by various laws such as Indian Medical Council Act 1956, The Clinical Establishments (registration and regulation) Act 2010, Indian Medical Council Regulations 2002 etc. Given the importance of healthcare facilities, Government of India has been taking various steps towards increasing the affordability and coverage of healthcare services in the country by putting price restriction on pharmaceutical entities, medical equipment manufacturers and hospitals services. Various state governments have also implemented the Clinical Practice Establishment Act, bringing in accountability on how hospitals price their cost of services to patient, and penal provisions for violations. Accordingly, regulatory challenges continue to pose a significant risk to private healthcare & educational institutions as they are highly susceptible to changes in regulatory framework.

Healthcare is a highly sensitive sector where any mistake on a critical 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, meticulously and maintain standard of services in order to avoid the occurrence of any unforeseen incident which can damage the reputation of a hospital to a large extent.

The hospital sector is highly fragmented with few large players in the organized sector and numerous small players in the unorganized sector leading to high level of competition in the business. Thus, differentiating factors like range of services offered, quality of service, distinction of doctors, success rate in treatment of complex cases, etc. will be crucial in order to attract patients and increase occupancy. All these lead to high level of competition in the business.

Capital intensive and human resource intensive nature of business

Hospital industry is a capital-intensive industry with relatively long gestation period. Generally, new hospital takes around 2-3 years' time frame to breakeven at operational level. Establishment, occupancy rate and financial stability in the initial period of

operation takes time. Thus, the promoter is required to support the operation until the mentioned parameters reach the minimum desired level. Further, the maintenance capex required for the hospital industry also remains high owing to regular replacement of equipment's, non-reusable pharmaceutical and surgical products and to update the latest technology.

The industry also faces challenges with respect to hiring on-role and/or off-role doctors, nurses and other staff. Hence dependence on human resources is high and is employed and deployed as per requirement.

Large size debt funded project being in nascent stage exposing company to project implementation risk

A new 150-bedded Hospital is proposed to be setup at Eastern Bypass Siliguri, the project cost of which is Rs.76.24 crore (excluding interest during construction of Rs.9 crore). For this, AMCPL has proposed to raise a term loan of Rs. 57.11 crore (in-principle approval with 12-year 9 months door to door tenure and 33-month moratorium after first disbursement in place). The project is in its initial phase of implementation and is expected to be completed by September 2023 and debt repayment shall commence from December 2023. The repayment of existing loan before the commencement of repayment of proposed loan provides cushion from credit perspective. The cashflow from existing hospital shall also be available to support initial repayments. Any cost overrun shall be met out of promoters' contribution.

Liquidity analysis: Adequate

AMCPL's liquidity is characterized by sufficient cushion in gross cash accruals of Rs. 6.87 crore vis-à-vis low debt repayment obligation of Rs. 2.44 crore in FY20. The company has cash and bank balance of Rs. 1.76 crore as on March 31, 2020. The company has availed Guaranteed Emergency Credit Line (GECL) of Rs.1.35 crore in May 2020 under the RBI COVID-19 relief package. The working capital utilization level stood at 95% during 12 months period ending November 2020. AMCPL has not availed the facility of moratorium under the RBI relief measures for COVID-19. As more than 65% of the revenue is generated in the form of cash, hence, the cashflows for the company is upfront and does not hinder realisation in revenue and the working capital requirement.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology for Hospital Industry](#)

[Rating Methodology-Education Sector](#)

[Financial ratios- Non-Financial sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company:

Anandaloke Medical Centre Pvt. Ltd (AMCPL), incorporated in August, 2000 as Anandaloke Medical & Research Centre Pvt. Ltd, is promoted by Dr. Shusanta Roy based out of Siliguri, West Bengal. The Company started operation with a 25-bed hospital in July 2003 in the name of Anandaloke Hospital and Neurosciences Centre. Subsequently in 2005, the company expanded the capacity to 100 beds and further in 2018, the bed capacity was increased to 150. In January 2007, the company was rechristened to its present name. Currently, the hospital is operating with a capacity of 150 beds (29 ICU, 17 Private rooms and 104 General wards) with an occupancy rate of around 91% in FY20.

Apart from providing healthcare services, the company also operates one Paramedical Institute for imparting knowledge on technician courses and one school of nursing education (Anandaloke Institute of Nursing Education – for General Nursing and Midwifery (GNM) and B.Sc – Nursing Courses (intake capacity of 80 students) to impart knowledge and training in nursing and paramedical sciences which was started from academic year (A.Y.) 2010-2011 and B. Sc from AY 2018-19.

The Company is currently undertaking a project for setting up a new 150 bedded multi-speciality hospital in Eastern Bypass.

The other companies under the promoters are Anandaloke Sonoscan Centre Pvt Ltd (ASCPL) - which operates a diagnostic centre and Anandaloke Medical Stores (AMS) – which operates a pharmacy.

The overall operations are handled by Dr. Sushanta Kumar Roy and Dr. Surupa Roy. AMCPL is NABH accredited and ISO certified.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	47.91	64.79
PBILDT	8.06	9.17
PAT	3.01	3.61
Overall gearing (times)	0.57	0.50
Interest coverage (times)	7.33	6.02

A: Audited

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
Non-fund-based - ST-Bank Guarantees	-	-	-	0.39	CARE A3
Fund-based - ST-Bank Overdraft	-	-	-	7.50	CARE A3
Fund-based - LT-Proposed Term Loan	-	-	-	57.11	CARE BBB-; Stable

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (26-Oct-18)	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (14-Mar-18)
2.	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	1)Withdrawn (26-Oct-18)	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (14-Mar-18)
3.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	1)Withdrawn (26-Oct-18)	1)CARE A3; ISSUER NOT COOPERATING* (14-Mar-18)
4.	Non-fund-based - ST-Bank Guarantees	ST	0.39	CARE A3	-	-	-	-
5.	Fund-based - ST-Bank Overdraft	ST	7.50	CARE A3	-	-	-	-
6.	Fund-based - LT-Term Loan	LT	57.11	CARE BBB-; Stable	-	-	-	-

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 the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - ST-Bank Overdraft	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple

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

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