

Shanti Hospital

February 08, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	15.00	CARE D (Single D)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
Total Bank Facilities	15.00 (Rupees Fifteen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Shanti Hospital (SH) factors in the on-going delay in servicing its term loan debt obligations. The rating also continuous to be tempered by small scale of operations, high vulnerability to treatment-related risks and regulatory risks, highly competitive due to organized and established players and Constitution of the entity as a partnership firm with inherent risk of withdrawal of capital.

Rating Sensitivities

Positive Factors (Factors that could lead to positive rating action/upgrade)

- Timely servicing of debt obligations for more than 90 days

Detailed description of the key rating drivers

Key Rating Weaknesses

Ongoing delays in servicing debt obligations

As per bank statement analysis, it is observed that there were delays of 1- 2 days in servicing term loan debt obligations along with penal charges.

Small scale of operations although increase in total operating income during FY20

The total operating income of the firm increased during the year FY20 and stood at Rs. 10.65 crore as compared to Rs.10.05 crore in FY19 on back of increase in number of patients being served by the hospital during FY20.

High vulnerability to treatment-related risks and regulatory risks

Healthcare is a highly sensitive sector where any mishandling of a case or negligence on the 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 high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent. Further, the operations of hospital are subject to various rules and regulations laid by respective authorities at State and Central government level. Any instance of non-compliance of these rules and regulations would impact the operations of hospital resulting into deterioration of financial risk profile of the company.

Highly competitive due to organized and established players

The hospital industry is highly competitive with a large number of established organized players and their growing network. 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 home and Multi-specialty clinics making it highly competitive.

Constitution of the entity as a partnership firm with inherent risk of withdrawal of capital

The firm being a partnership firm is exposed to inherent risk of capital withdrawal by the partners, due to its nature of constitution. Further, any substantial withdrawals from capital account would impact the net worth and thereby the financial profile of the firm. The partners have withdrawn capital of Rs.0.46 crore during FY20.

Key Rating Strengths

Qualified and experienced partners for more than three decades in medical professional services

SH is promoted by Dr. Rajendra Patil and Dr. Sunil Biradar Patil. Dr. Rajendra Patil and Dr. Sunil Biradar Patil both are Pediatricians, and have more than three decades of experience and more than one decade of experience respectively with this entity. The firm has well qualified and experience staff to serve its patients.

Satisfactory profitability margins

The PBILDT margin has improved by 30 basis points and stood at 29.19% in FY20 as compared to 28.89% in FY19. The PAT margin of the firm declined by 12 basis points and stood at 18.97x in FY20 as against to 19.09% in FY19 due to absorption of finance cost, depreciation costs albeit to increase of PBILDT in absolute terms.

Moderate Capital structure and comfortable debt coverage indicators

The overall gearing of the firm stood comfortable at 1.21x in FY20 against 1.29x in FY19. The debt profile of the firm consists of working capital borrowings of Rs. 0.46 crore, interest free unsecured loans of Rs. 0.30 crore and term loan of Rs. 9.05 Crore as on March 31, 2020. The interest coverage ratio of the firm although deteriorated stood comfortable at 10.13x in FY20 as against 15.01x in FY19 due to increase in interest cost during the year. Further, total debt/GCA also deteriorated and stood at 3.52x in FY20 as against 3.07x in FY19 on account of increase in total debt as on March 31, 2020.

Liquidity: Stretched- liquidity marked by tightly matched accruals to repayment obligations, low cash balance of Rs. 0.10 Crore and below unity current ratio of Rs. 0.11x as on March 31, 2020. Further, the firm had availed moratorium announced by RBI on its debt obligations from March 01, 2020 to August 31, 2020.

Analytical approach: Standalone

Applicable criteria:

[Definition of Default](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

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

[Rating Methodology- Service Sector Companies](#)

About the Company

Shanti Hospital (SH) initially started its operations in 1986, with a constitution of Hindu Undivided Family (HUF), and was then known as Shanti Children Hospital. Later, the entity was converted into Partnership firm in 2008. In 2011 the firm changed its name to current nomenclature. Currently, SH has 100 beds, operational in Bagalkot, Karnataka and is promoted by Dr. Rajendra Patil and Dr. Sunil Biradar Patil. It is a Multi-Specialty Hospital spread across a cumulative area of 35,000 sq. ft. with modern equipment and infrastructure.

Brief Financials (Rs. crore)	FY19(A)	FY20(A)
Total operating income	10.05	10.65
PBILDT	2.90	3.11
PAT	1.92	2.02
Overall gearing (times)	1.29	1.21
Interest coverage (times)	15.01	10.13

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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	-	-	April 2032	6.50	CARE D
Fund-based - LT-Term Loan	-	-	April 2030	8.50	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 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	6.50	CARE D	-	1)CARE BB-; Stable (06-Mar-20)	1)CARE BB-; Stable (05-Mar-19)	-
2.	Fund-based - LT-Term Loan	LT	8.50	CARE D	-	1)CARE BB-; Stable (06-Mar-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

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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