

## Durgapur Medical Centre Private Limited

March 08, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	23.65 (Reduced from 47.16)	CARE A-; Stable	Reaffirmed
Short Term Bank Facilities	4.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation in ratings assigned to the bank facilities of Durgapur Medical Centre Private Limited (DMCPL) continue to derive strength from professional and qualified promoters, long standing presence of the hospital in Durgapur, diversified revenue profile and tie-ups with various corporates and government entities, comfortable capital structure & debt coverage indicators marked by low reliance on external debt, ample liquidity in the form of cash and fixed deposits. The reaffirmation also factors in the improvement in occupancy ratio and Average Revenue Per Occupied Bed (ARPOB) in FY22 (refers to period from April 01 to March 31) and 9MFY23 (refers to period of April 01 to December 31) leading to improvement in scale of operations and profitability over FY21. CARE takes note of substantial progress in setting up of 150 bed hospital adjacent to the current hospital which is expected to become operational from April 2023.

The rating however; is constrained by geographically concentrated revenue stream from single location hospital, fragmented nature of the industry, high vulnerability to treatment-related and operating risks and project implementation risk of its upcoming oncology unit.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Ability to increase the scale of operation beyond Rs.500 crore and operating margin (PBILDT) beyond 15% on sustained basis

#### Negative factors

- Any un-envisaged incremental debt funded capital expenditure deteriorating its overall gearing and TDGCA beyond 0.40x and 1.50x respectively.
- Deterioration in occupancy level below 65% on sustained basis.

**Analytical approach:** Standalone

### Outlook: Stable

The company is expected to sustain its strong financial risk profile amidst healthy cash flow generated from operations. Further, negligible term debt repayment obligations and ample cash and liquid investments are expected to continue to support its comfortable liquidity profile.

### Key strengths

#### Professional and qualified promoters

Dr. Satyajit Bose, Chairman and one of the co-promoter of DMCPL, is a highly qualified [MBBS, MS (Surgery), M.Ch. (cardio thoracic surgery)] and renowned cardiothoracic surgeon of Kolkata having experience of around two decades. He has successfully performed numerous surgeries and offered professional consultancy in reputed hospitals in Kolkata. Prior to establishing "The Mission Hospital", he was the Chief Cardiac Surgeon at Apollo Hospital, Kolkata. This apart he also offered professional consultancy at other reputed hospitals of the city. Mr. Tarun Bhattacharya is the managing director of DMCPL. He is also the founder member of various engineering colleges in West Bengal. The day-to-day operation of the hospital is being looked after by Mr. Pradipta Kumar Swain (CFO) along with the support from a team of experienced doctors and professionals.

#### Long standing presence of the hospital in the Durgapur region

The Mission Hospital (TMH) under DMCPL started its operation way back in April 2008 and is the first multi-specialty hospital in Eastern India outside Kolkata. DMCPL provides secondary and tertiary healthcare services in various fields (Orthopaedics, Cardiology, Cardiac Surgery, Nephrology, Pulmonology, Gastroenterology, Neurology, Laparoscopic Surgery etc.) with specialists available round the clock exclusively for the hospital. The hospital is equipped with state-of-the-art equipment, around 141 in-house doctors/specialists, 25 visiting doctors and consultants.

<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

**Diversified revenue profile being a major multi-speciality hospital in Durgapur**

The company's total income is spread across various specialties like Orthopaedics, Cardiology, Pulmonology, Nephrology, Gastroenterology etc. Orthopaedics and cardiology contribute to major source of revenue. During 9MFY23, the IPD revenue witnessed y-o-y growth of 15% to Rs. 176.85 crore as against revenue of Rs. 156.92 crore in 9MFY22.

**Tie up arrangement with various corporates and government entities**

TMH has tie-ups with various corporates and public sector undertakings to provide medical services, including annual check-up of the employees. Apart from corporates, TMH also has tie-ups with various Governments under their health schemes like Government of Bhutan, Government of West Bengal and Government of Sikkim. Such tie-up ensures steady referrals of patients to TMH, thereby improving its occupancy rate.

**Improvement in financial performance in FY22 & 9MFY23 backed by improvement in occupancy and ARPOB**

The total operating income of the company increased by ~31% y-o-y in FY22 on account of improvement in occupancy from 78% in FY21 to 82% in FY22 along with increase in average revenue per occupied bed (ARPOB) to Rs 27,612 in FY22 as against Rs 24,995 in FY21. The ARPOB has increased on account of optimization of average length of stay along with increase in the rate of surgeries. This in turn has also led to improvement in PBILD margin from 11.02% in FY21 to 16.35% in FY22.

Due to further improvement in occupancy level to 85% and ARPOB to Rs 29,569 in 9MFY23, there has been increase in scale of operations on y-o-y basis. However, the PBILD margin has declined to 14.52% on account of increase in employee cost due to salary hikes given to doctors and hospital staffs which was deferred in the last two years due to Covid-19 and hiring of additional staffs for the upcoming bed capacity of 150 beds which has also led to increase in employee cost without any corresponding increase in revenue (as the 150 beds will become operational from April'23 onwards).

**Comfortable capital structure and debt protection metrics**

The capital structure of the company continued to remain comfortable at 0.15x as on March 31, 2022 vis-à-vis 0.17x as on March 31, 2021. The debt protection metrics marked by TD/GCA has improved from 1.08x in FY21 to 0.64x in FY22. Going forward, the capital structure and debt protection metrics are expected to remain comfortable with no plans to avail additional debt in the near term.

**Key weaknesses****Geographically concentrated revenue stream from single location hospital**

DMCPL is currently operating a 350 beds multi-specialty hospital in Durgapur under the name "The Mission Hospital". The revenue is being derived from single hospital resulting in geographical concentration risk along with revenue stream from single location hospital.

**High vulnerability to treatment related and operating risk**

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 high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent.

**Fragmented nature of the industry**

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

**Risk associated with the upcoming project**

The company is planning to develop an oncology unit in a new building on a 10 acre land which will be 20 kms away from the hospital. The estimated project cost of the same is around Rs 75 crore (including land cost of Rs 7 crore). As articulated by management, the project is in design phase and construction is expected to begin from FY25 onwards and end in FY27. As articulated by management, the project would be funded through existing liquidity in hand and cash accruals. The unit will have 300 beds which will come in phases wherein Phase 1 will have 200 beds.

This apart, the company is in the process to open a nursing college (capacity- 200 students) which will be 5-6 km away from the hospital. The company will be operating the college on an asset light model as land would be owned by a third party who would construct the college while DMCPL will only be paying rent for it.

### Update on the ongoing project

The ongoing project of setting up a building for additional 150 bed adjacent to the existing hospital is expected to operationalize by April 2023. Out of total project cost of ~Rs. 41 crore (increased from earlier estimate of Rs 30 crore), the company has spent a total of Rs.32 crore on this project which was funded through term loan of Rs.11.45 crore and remaining through internal accruals. The completion of the project within the envisaged timelines and cost remains to be seen.

### Liquidity: Adequate

The liquidity of the company is adequate marked by gross cash accruals of Rs 37.41 crore as against debt repayment obligations of Rs 2.12 crore in FY22. The projected cash accruals for FY23 are expected to be sufficient to meet the debt repayment obligations of FY23. The liquidity is further supported by cash and liquid investments of Rs 66.40 crore and December 31, 2022. The average utilization of fund based limit for the last 12 months ending December 2022 stood low at around 3%.

### Environment, social, and governance (ESG) risks- Not Applicable

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hospital](#)

### About the company and industry

#### Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Healthcare Services	Hospital

Durgapur Medical Centre Private Limited (DMCPL), incorporated in 1987, is currently operating a 350 beds multi-specialty hospital at Durgapur, named 'The Mission Hospital' (TMH). TMH became operational in April 2008. Initially, the company remained dormant for 17 years and was subsequently taken over by the present management led by Dr. Satyajit Bose in 2004. The day-to-day operation of the hospital is being looked after by Mr. Pradipta Kumar Swain (CFO) along with the support from a team of experienced doctors and professionals

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	December 31, 2022 (UA)
Total operating income	211.09	275.75	230.83
PBILD	23.26	45.08	33.50
PAT	12.20	30.56	18.73
Overall gearing (times)	0.17	0.15	0.12
Interest coverage (times)	18.92	27.32	44.77

A: Audited, UA: Unaudited, Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** CRISIL Ratings Limited continues to maintain rating of DMCPL under 'Issuer Not Cooperating' category.

**Any other information:** Not Applicable

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

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

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	13.00	CARE A-; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	4.00	CARE A2+
Term Loan-Long Term	-	-	-	March 2025	10.65	CARE A-; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	13.00	CARE A-; Stable	-	1)CARE A-; Stable (24-Mar-22)	1)CARE BBB+; Stable (23-Mar-21) 2)CARE BBB+; Stable (03-Apr-20)	-
2	Non-fund-based - ST-BG/LC	ST	4.00	CARE A2+	-	1)CARE A2+ (24-Mar-22)	1)CARE A2 (23-Mar-21) 2)CARE A2 (03-Apr-20)	-
3	Term Loan-Long Term	LT	10.65	CARE A-; Stable	-	1)CARE A-; Stable (24-Mar-22)	1)CARE BBB+; Stable (23-Mar-21) 2)CARE BBB+; Stable	-

							(03-Apr-20)	
--	--	--	--	--	--	--	-------------	--

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

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Term Loan-Long Term	Simple

**Annexure-5: Lender details**

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

**Note on the complexity levels of the rated instruments:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

## Contact us

<p><b>Media Contact</b></p> <p>Name: Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754-3573 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Name: Lalit Sikaria Director <b>CARE Ratings Limited</b> Phone: +91-033-4018-1620 E-mail: <a href="mailto:lalit.sikari@careedge.in">lalit.sikari@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Name: Arindam Saha Director <b>CARE Ratings Limited</b> Phone: +91-033-4018-1631 E-mail: <a href="mailto:arindam.saha@careedge.in">arindam.saha@careedge.in</a></p> <p>Name: Punit Singhania Associate Director <b>CARE Ratings Limited</b> Phone: +91-033-4018-1620 E-mail: <a href="mailto:punit.singhania@careedge.in">punit.singhania@careedge.in</a></p> <p>Name: Anushikha Kothari Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:anushikha.kothari@careedge.in">anushikha.kothari@careedge.in</a></p>
---	---

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**