

Sree Lakshmi Gayatri Hospitals Private Limited

April 12, 2021

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	160.00	CARE D (Single D)	Revised from CARE B (Single B) and removed from Credit watch with Developing Implications
Total Facilities	160.00 (Rs. One Hundred Sixty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Sree Lakshmi Gayatri Hospitals Private Limited factors in delays in meeting the debt obligations on time due to poor liquidity position. The rating was placed under “Credit Watch with Developing Implications” following the application submitted by the company to bankers for restructuring the term loan facility as per resolution package announced by RBI under Covid- 19 relief scheme. However, the company as per RBI guidelines has availed Guaranteed Emergency Credit Line (GECL) loans instead of pursuing for OTR and hence as the clarity has emerged, the rating is removed from credit watch with developing implications.

Key Rating Sensitivities

Positive Factors:

- To meet the debt obligations on time for sustainable period or at least for three months continuously.
- Support from the promoters in the form of infusion of unsecured loans and capital.
- Increase in the scale of operations and attaining breakeven revenue on a sustained basis.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delay in meeting debt obligations due to weak performance

The hospital is in the nascent stage of operations and is yet to generate sufficient cash flows. Further, the ongoing Covid-19 pandemic has slowed down the operations impacting the performance of the company. The hospital receives about 70% of the payments from insurance and corporates. The liquidity position of the hospital has further been impacted due to delay in payments from the insurance companies and corporates which has led to cashflow mismatches and delays with respect to debt servicing of the company.

Key Rating Strengths

Experienced and resourceful promoters

The key promoter Mr. Dandu Sivarama Raju, has 40 years of experience in hotel, college, and civil construction businesses. He is also the Managing Director of Katriya Hotels and Towers (KHT), a 3 star hotel located at Hyderabad. He is ably supported by Mr. D V S Somaraju. Mr. Somaraju has more than a decade of experience in hotel business and he is currently serving as Executive Director of KHT. The promoters are resourceful and have brought in funds whenever required. During FY20, the promoters of the company have infused around Rs.24 crore as unsecured loans. Out of the total unsecured loans infused, Rs.8.00 crore has been converted into equity share capital. Till March 31, 2020, the promoters have bought in Rs. 75.00 crore as equity and Rs. 26.17 crore as unsecured loans for funding the project.

Liquidity – Poor

The liquidity profile of the hospital is poor considering lower accruals when compared to repayment obligations. The hospital has been incurring losses due to nascent stage of operations. The debt coverage indicators continue to remain weak. The company had availed both the moratoriums (March 2020 to August 2020) provided as a part of RBI Covid-19 regulatory package. The company has been sanctioned with Guaranteed Emergency Credit Line (GECL) loans. However, due to cash flow mismatches, the company has defaulted in meeting its term debt obligations.

Analytical approach: Standalone

Applicable Criteria:

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

[Financial ratios – Non-Financial Sector](#)

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

[Liquidity analysis of Non-financial sector entities](#)
[Rating Methodology - Service Sector Companies](#)
[Rating Methodology for Hospital Industry](#)

About the Company

Sree Lakshmi Gayatri Hospitals Private Limited (SLGH) was incorporated on June 10, 2011 by Mr Dandu Sivarama Raju and belongs to Sri Lakshmi Gayatri Hotels Private Limited. SLGH has undertaken project to set up 775 beds Multi-Specialty Hospital at Bachupally, Hyderabad, to promote medical tourism and to facilitate longer stay requirements it is also setting up 120 rooms' hotel in the same premises. The hospital has started the commercial operation from April 01, 2019. The hospital is offering wide spectrum of specialties like Cardiology, Nephrology, Pulmonology, Trauma and Orthopedics, Plastic Surgery, Neurology, Gastro Entomology, Gynecology, Urology, Oncology, ENT and dental etc.

Brief Financials (Rs. crore)	FY20 (A)
Total operating income	18.59
PBILDT	-19.07
PAT	-46.41
Overall gearing (times)	6.31
PBILDT Interest coverage (times)	NM

A: Audited, NM-Not meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: 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	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Mar 2029	160.00	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 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	160.00	CARE D	-	1)CARE B (CWD) (18-Nov-20)	1)CARE D (08-Jan-20) 2)CARE BB; Stable (22-Aug-19)	1)CARE BB; Stable (10-Aug-18)

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

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.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Name: Mr. D Naveen Kumar

Tel: 040-40102030

Email: dnaveen.kumar@careratings.com

Business Development Contact

Name: Ramesh Bob

Contact no. : +91 90520 00521

Email ID: ramesh.bob@careratings.com

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