

Sunrise Institute of Medical Sciences Private Limited

June 15, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.15 (Reduced from 19.30)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	20.00	CARE A4+	Reaffirmed

Details of facilities in Annexure-1

Rationale and key rating drivers

The ratings assigned to the bank facilities of Sunrise Institute of Medical Sciences Private Limited (SIMSPL) continue to be constrained by the moderate scale of operations, geographically concentrated revenue stream, increased exposure to related parties, reliance on scarcely available qualified medical professionals and regulatory risks associated with healthcare sector. The ratings however derive strength from the vast experience of promoters in the medical field, long standing track record of operations for the hospital, financial risk profile marked by comfortable capital structure and healthy profitability margins.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to improve the revenue to over Rs.150 crore on sustained basis while maintaining PBILDT margins.
- Ability to diversify revenue stream from multiple hospitals.
- Reduce exposure to related parties in terms of lease deposits.

Negative factors

- Any large debt funded capex leading to moderation in overall gearing to above 2x.
- Any drop in occupancy levels in hospitals below 60%

Analytical approach:

Consolidated

CARE has taken consolidated view of SIMSPL and its subsidiaries on account of significant financial linkages with subsidiaries which are also in similar line of business.

The list of subsidiaries consolidated:

S.No	Name of the subsidiary	Extent of holding
1.	Anugraha Hospital Private Limited	100%
2.	Boardwalk Hospitalities and Developers Private Limited	100%
3.	Arafa Hospital Private Limited	100%
4.	Sunrise Academy of Medical Specialties India Private Limited	85.40%
5.	Padiyath Innovation World Private Limited	99.95%
6.	Blushing Cherry Private Limited	51.00%
7.	SRH Healthcare Services Private Limited	56.00%

Outlook: Stable

The 'Stable' outlook reflects that the hospital is expected to sustain stable operational performance with steady inflow of patients post recovery from covid pandemic and maintain healthy profitability and comfortable capital structure with no major debt funded capex planned in the medium term.

Detailed description of the key rating drivers

Key weaknesses

Moderate scale of operations and geographically concentrated revenue

SIMSPL has over two decades of experience in hospital sector. However, the scale of operations continued to remain moderate with operating income of Rs.116.64 crore (PY: Rs.121.78 crore) for the year ended FY23 (Prov) (refers to the period April 1 to March 31) on a consolidated basis. The parent company operates a 175 bedded hospital in Kakkanad, Kochi. SIMSPL also operates a 50 bedded hospital in Kanhangad, Kerala and a 100-bedded hospital in Changaramkulam, Kerala. However, the revenue from main hospital at Kakkanad forms 74% (PY: 78%) of total revenue in FY23 (Prov).

¹ Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Increasing exposure to related parties, in terms of lease deposits

SIMSPL had extended loans and advances of Rs.29.97 crore (PY: Rs.29.97 crore) as on March 31, 2023, towards the lease deposit for the hospital land which is owned by the promoters. The above advances forms 43.37% (PY: 51.33%) of consolidated networth as on March 31, 2023. With the entire hospital's land is under lease, the company cannot benefit from any appreciation in the value of land. The risk of non-renewal of lease would also affect the business operations. SIMSPL also had invested Rs.19.55 crore (PY:19.54 crore) in FY23 in a partnership firm which runs a 150-bedded hospital.

Reliance on scarcely available qualified medical professionals

The healthcare industry is highly dependent on the scarcely available, qualified medical professionals. This industry requires specialized doctors to be associated with a hospital for a longer tenure. Given the increasing competition and the scarcity of medical specialists, the ability of the company to increase the current pool of doctors would be a key differentiator. SIMSPL faces around 10% attrition of doctors every year however it was also able to add new doctors as replacement.

Regulatory risks associated with healthcare sector

Hospitals operate in a regulated industry that has witnessed continuous regulatory intervention during the past couple of years in the country. In India, hospitals are governed by various laws such as the Indian Medical Council Act 1956, The Clinical Establishments (registration and regulation) Act 2010, the Indian Medical Council Regulations 2002, etc. Given the importance of healthcare facilities, the Indian Government has been taking various steps towards increasing the affordability and coverage of healthcare services in the country by putting price restrictions on pharmaceutical entities, medical equipment manufacturers, and hospital services.

Key strengths***Extensive experience of the promoters in the medical field***

SIMSPL was established in the year 2002 by Dr Hafeez Rahman Padiyath, the Founder Chairman, who is renowned as one of the pioneers in Laparoscopic Surgical Procedures worldwide with experience of over 30 years. Mrs. Parveen Hafeez, wife of Dr Hafeez Rahman, Managing Director also has experience of 27 years in relevant field and takes care of the day-to-day operations.

Long track record of operations of the hospital

SIMSPL is operational for over 20 years and has more than 40 departments and enjoying continued patronage not only from the local people, but also from patients all over the world. Being the Apex Centre for Minimally Invasive Surgery in Asia, the hospital has been honoured as a Centre of excellence in 'Hernia Surgeries and Laparoscopic Cancer Surgeries'. The average revenue per occupied bed (ARPOB) stood relatively comfortable Rs.20,152 in FY23 while the occupancy levels have also remained satisfactory at 77% (PY: 84%) in FY23.

Comfortable capital structure and healthy profitability margins

Capital structure of the company remained comfortable with consolidated overall gearing of 0.62 times as on March 31, 2023, as against 0.67 times as on March 31, 2021. The PBILDT margin stood healthy at 17.27% in FY23 albeit moderated from 17.56% in FY22 due to the advanced treatment procedures and established operations.

Industry and prospects

The hospital industry in India accounts for 80% of the total healthcare market. Long-term outlook for the hospital sector is stable, with annual revenues likely to grow robustly over the next few years on account of rising domestic demand for healthcare as well as medical tourism. It was valued at USD 61.79 Billion in FY17 and is expected to reach USD 132 Billion by 2023, growing at a CAGR of 16%-17%. The Government's plans to increase budgetary allocation for public health spending to 2.5% of the country's GDP by 2025, will benefit the hospital sector as well.

Liquidity: Adequate

Liquidity is adequate with sufficient cushion in accruals against repayment obligations and cash balance of Rs.13.53 crore as on March 31, 2023 (Prov). Due to the cash and carry nature of business and the healthy accruals, the liquidity position of SIMSPL has been healthy. The hospital has debtors mainly include receivables from insurance companies & other corporates, which contribute around 20% of the total income and remaining 80% of total income is on cash basis. The subsidies provided by Government to SIMSPL for Covid treatment was delayed which led to the stretched collection period during FY23. SIMSPL has working capital limits of Rs.20 crore and the average utilization of the same stood at 78% over the past 12 months ended May 2023.

Assumptions/Covenants

Not Applicable

Environment, social, and governance (ESG) risks

Not Applicable

Applicable criteria

[Policy on default recognition](#)
[Consolidation](#)
[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

Sunrise Institute of Medical Sciences Private Limited (SIMSPL) was founded by Dr. Hafeez Rahman Padiyath, in the year 2002. SIMSPL operates three hospitals on consolidated basis with cumulative capacity of 325 beds in Kerala regions. The hospitals have more than 40 Medical departments and other specialties including Obstetrics, Gynaecology & Infertility, General & Laparoscopic Surgery, Obesity & Diabetic Surgery, Accident & Emergency, Gastroenterology, etc.,

Brief Financials (₹ crore) – Consolidated	31-03-2021 (A)	31-03-2022 (A)	31-03-2023 (Prov)
Total operating income	64.92	121.78	116.64
PBILDT	11.33	21.38	20.14
PAT	2.78	12.37	10.71
Overall gearing (times)	1.12	0.67	0.62
Interest coverage (times)	2.19	5.22	7.60

A: Audited; Prov: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of 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-Term Loan		-	-	October 2031	16.15	CARE BB+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	20.00	CARE A4+

Annexure-2: Rating history of 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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	16.15	CARE BB+; Stable	-	1)CARE BB+; Stable (28-Apr-22)	-	-
2	Fund-based - ST-Bank Overdraft	ST	20.00	CARE A4+	-	1)CARE A4+ (28-Apr-22)	-	-

*Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not applicable**Annexure-4: Complexity level of various instruments rated**

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

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on 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 for any clarifications.

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About us:

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