

Durgapur Medical Centre Private Limited

January 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.00	CARE A-; Stable	Assigned
Long Term Bank Facilities	53.00 (Enhanced from 23.65)	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 corporate and government entities. The rating further derives comfort from comfortable capital structure & debt coverage indicators and ample liquidity in the form of cash and fixed deposits. The reaffirmation also factors in improvement in scale of operations in FY23 (refers to period from April 01 to March 31) backed by increase in occupancy albeit slight moderation in profitability margin due to higher employee cost as against FY22.

CARE takes note of operationalization of 150 bed hospital (adjacent to the current hospital) from August 2023 onwards which is expected to lead to further improvement in scale of operations and profitability in view of high demand for hospitals in Durgapur. 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 operational performance in view of long presence of the hospital (one of major multi-speciality hospital) in Durgapur backed by qualified promoters and doctors. Further, low term debt repayment obligations and ample cash and liquid investments along with healthy cash flow generated from operations are expected to continue to support its financial risk profile.

Detailed description of the key rating drivers:

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 (CEO) along with the support from a team of experienced doctors and professionals.

Long standing presence of the hospital in the Durgapur

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 170 in-house doctors/specialists and 20 visiting doctors and consultants.

¹Complete definition of the ratings assigned are available at 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 major portion of revenue and accounted for around 12% and 15% of the total revenue for FY23 respectively (10% and 14% in FY22).

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 like Government of Bhutan, Government of Sikkim and health schemes of various governments like Smile Train, West Bengal Health Scheme 2014, CM/PM/Governor Relief Fund, etc. Such tie-up ensures steady referrals of patients to TMH, thereby improving its occupancy rate.

Improvement in scale of operations in FY23 backed by increase in occupancy albeit slight moderation in profitability margin.

The total operating income of the company increased by 14% y-o-y to Rs.313.29 crore in FY23 as against Rs 275.75 crore in FY22 on account of improvement in occupancy from 82% in FY22 to 87% in FY23. However, PBILDT margin has moderated slightly from 16.34% in FY22 to 14.16% in FY23 in view of increase in employee costs on account of salary hikes given to doctors and hospital staffs which was deferred in the last two years due to Covid-19. This apart, the company had also deployed additional staff for the increased bed capacity of 150 beds which has also led to increase in employee cost without any corresponding increase in revenue (as the 150 beds became operational from August 2023 onwards), thereby leading to moderation in margins. Going forward, with the stabilisation of operations of increased bed capacity, it is expected that PBILDT margins will improve. In H1FY24, the company has reported PBILDT of Rs 30.66 crore on TOI of 180.66 crore.

Comfortable capital structure and debt protection metrics

The capital structure of the company continued to remain comfortable at 0.10x as on March 31, 2023 vis-à-vis 0.15x as on March 31, 2022 on account of low reliance on external debt. The debt protection metrics marked by TD/GCA has improved from 0.64x in FY22 to 0.49x in FY23 in view of scheduled repayment of term loan. In the current fiscal, the company has availed term loan of Rs 40 crore along with a dropline overdraft facility of Rs 10 crore in October 2023 and has also prepaid o/s term loan of Rs 9.42 crore (o/s as on March 31, 2023) in November 2023. With the availment of new term loan and working capital limit in current fiscal, the overall gearing is expected to moderate slightly, however; it will continue to remain comfortable going forward.

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

DMCPL is currently operating a 500 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 project is still in the drawing board stage and the company has hired an architect. The project will come in phases and the master plan is expected to be ready in another six months.

The company had earlier planned to open a nursing college on an asset lite model such that the land will be purchased by a third party and construction of the building will also be done by them while the company will only be paying rent. However, the company has decided to construct the nursing college on its own and accordingly widened the scope of the oncology project to include nursing college and staff quarters, etc. The company has already purchased additional land of 10 acre for the same which is adjacent to the existing 10 acre land at a cost of around Rs 26 crore which was funded through term loan availed in current fiscal. The exact project cost of both the oncology unit and nursing college has not yet been frozen.

Liquidity: Adequate

The liquidity of the company is adequate marked by gross cash accruals of Rs 36.83 crore as against debt repayment obligations of Rs 4.99 crore in FY23. The projected cash accruals are expected to be more than sufficient to meet the debt repayment obligations going forward. The liquidity is further supported by free cash and liquid investments of Rs 86.24 crore and Rs 103.20 crore as on March 31, 2023 and September 30, 2023 respectively. The average utilization of fund based limit for the last 12 months ending November 2023 stood low at around 5%.

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

Applicable criteria

[Financial Ratios – Non financial Sector](#)

[Hospital](#)

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

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

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 multi-specialty hospital at Durgapur. DMCPL started with operating 350 beds under the brand named 'The Mission Hospital' (TMH) which became operational in April 2008. In the current fiscal, the company increased the bed capacity of TMH by 150 beds in a building adjacent to TMH from August 2023 onwards. 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 (CEO) along with the support from a team of experienced doctors and professionals.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	275.75	313.29	180.66
PBILD	45.07	44.35	30.66
PAT	30.56	29.94	NA
Overall gearing (times)	0.15	0.10	NA
Interest coverage (times)	27.48	33.60	73.32

A: Audited, UA: Unaudited, NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL Ratings Limited continues to maintain the rating of DMCPL under 'Issuer Not Cooperating' category vide press release dated July 20, 2023

Any other information: Not Applicable

Rating history for last three years: Please refer 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: 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-Bank Overdraft	-	-	-	-	10.00	CARE A-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	13.00	CARE A-; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	4.00	CARE A2+
Term Loan-Long Term	-	-	-	November 2029	40.00	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 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-Cash Credit	LT	13.00	CARE A-; Stable	-	1)CARE A-; Stable (08-Mar-23)	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+ (08-Mar-23)	1)CARE A2+ (24-Mar-22)	1)CARE A2 (23-Mar-21) 2)CARE A2 (03-Apr-20)
3	Term Loan-Long Term	LT	40.00	CARE A-; Stable	-	1)CARE A-; Stable (08-Mar-23)	1)CARE A-; Stable (24-Mar-22)	1)CARE BBB+; Stable (23-Mar-21) 2)CARE BBB+; Stable (03-Apr-20)
4	Fund-based - LT-Bank Overdraft	LT	10.00	CARE A-; Stable				

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
Financial covenants	<ul style="list-style-type: none"> Tangible Net Worth to be maintained at Rs 213.41 crore as on March 31, 2024 Current ratio to be more than 1.33x Debt/Equity ratio not more than 1x Debt Service Coverage Ratio to be more than 2.7x in FY23. Debt/EBITDA less than 3x

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	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 for any clarifications.

Contact us

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About us:

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