

## Sunrise Institute of Medical Sciences Private Limited

July 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	4.73 (Reduced from 16.15)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	1.00	CARE A4+	Assigned
Short Term Bank Facilities	29.00 (Enhanced from 20.00)	CARE A4+	Reaffirmed

Details of instruments/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 relatively moderate scale of operations, geographically concentrated revenue stream, elongated collection period, larger 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, healthy profitability margins and comfortable capital structure.

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

#### Positive factors

- Ability of the company to improve the revenue to over Rs.125 crore on sustained basis while maintaining PBILDT margins above 18%
- Ability to diversify revenue stream from multiple hospitals.
- Timely collection of receivables and reduce collection period to below 20 days

#### Negative factors

- Any large debt funded capex leading to moderation in overall gearing to above 1x.
- 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 all entities consolidated are placed as Annexure-6.

### Outlook: Stable

The 'Stable' outlook reflects that the hospital is expected to sustain stable operational performance with increased occupancy levels 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

##### Relatively 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 relatively moderate with operating income of Rs.109.98 crore (PY: Rs.115.41 crore) for the year ended FY24 (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 100-bedded hospital in Changaramkulam, Kerala under its subsidiary. However, the revenue from main hospital at Kakkanad forms 82% (PY: 74%) of total revenue in FY24 (Prov).

##### Elongated collection period

The mix of insurance/corporate cases which was around 32% of income in FY22 increased over the years to 63% in FY24 with acceptance of more government health schemes. The collection period increased over last two years from 27 days in FY22 to 46 days in FY24 due to delayed receipts from Government for treatments under Ayushman Bharat Health Scheme. The debtors more than six months stood at Rs.8.14 crore as on June 30, 2024 which increased from Rs.4.3 crore as on March 31, 2024. The company had written off debtors to the extent of Rs.5.80 crore in FY24, against Rs.7.30 crore in FY23 and Rs.2.30 crore in FY22.

##### Larger exposure to related parties

SIMSPL had extended loans and advances of Rs.22.25 crore (PY: Rs.22.25 crore) as on March 31, 2024, towards the lease deposit for the hospital land which is owned by the promoters. The above advances forms 27.63% (PY: 32%) of consolidated networth as on March 31, 2024. With the entire hospital's land is under lease, the company cannot benefit from any appreciation in the

<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

value of land. The risk of non-renewal of lease would also affect the business operations. SIMSPL also had invested Rs.19.54 crore (PY:19.89 crore) in FY24 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**

##### **Vast experience of 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. He is a Consultant Gynaecologist & Laparoscopic Surgeon and the Head of the Department of Obstetrics & Gynaecology at Sunrise Hospital. Mrs. Parveen Hafeez, wife of Dr Hafeez Rahman, Managing Director also has experience of 28 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 healthy at Rs.34,033 in FY24 (PY: 32,493) while the occupancy levels have also remained satisfactory at 78% (PY: 77%) in FY24.

##### **Comfortable capital structure and healthy profitability margins**

Capital structure of the company remained comfortable with overall gearing of 0.46 times as on March 31, 2024, which improved from 0.62 times as on March 31, 2023 due to prepayment of term loans amounting to Rs.8.20 crore in FY24. The PBILDT margin stood healthy at 17.92% in FY24, improved from 14.55% in FY23 due to the advanced treatment procedures and increased number of surgeries.

##### **Liquidity: Adequate**

Liquidity is adequate with sufficient cushion in accruals against repayment obligations and cash balance of Rs.2.09 crore as on March 31, 2024. The hospital has debtors mainly include receivables from insurance companies & other corporates, which contribute around 60% of the total income and remaining 40% of total income is on cash basis. SIMSPL have working capital limits of Rs. 30 crore and utilization remain comfortable at 76.62% for the past 12 months ended May 2024. The current ratio stood at 0.48 times as on March 31, 2024.

##### **Assumptions/Covenants**

Not Applicable

##### **Environment, social, and governance (ESG) risks**

Not Applicable

##### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hospital](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

##### **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, runs NABH accredited multispecialty hospitals located in Cochin and Malappuram, Kerala. SIMSPL runs 275-bed hospitals (on consolidated basis; Standalone: 175 beds), having 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	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov)
Total operating income	121.78	115.41	109.98
PBILDT	21.38	16.79	19.70
PAT	12.37	11.08	10.96
Overall gearing (times)	0.67	0.62	0.46
Interest coverage (times)	5.22	5.34	7.82

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 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-Term Loan		-	-	October 2031	4.73	CARE BB+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	29.00	CARE A4+
Fund-based - ST-Working Capital Demand loan		-	-	-	1.00	CARE A4+

#### 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	4.73	CARE BB+; Stable	-	1)CARE BB+; Stable (15-Jun-23)	1)CARE BB+; Stable (28-Apr-22)	-
2	Fund-based - ST-Bank Overdraft	ST	29.00	CARE A4+	-	1)CARE A4+ (15-Jun-23)	1)CARE A4+ (28-Apr-22)	-
3	Fund-based - ST-Working Capital Demand loan	ST	1.00	CARE A4+				

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of 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-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Fund-based - ST-Working Capital Demand loan	Simple

**Annexure-5: Lender details**

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

**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Anugraha Hospital Private Limited	Full	100% subsidiary
2.	Boardwalk Hospitalities and Developers Private Limited	Full	100% subsidiary
3.	Arafa Hospital Private Limited	Full	100% subsidiary
4.	Sunrise Academy of Medical Specialties India Private Limited	Full	85.40% subsidiary
5.	Padiyath Innovation World Private Limited	Full	99.95% subsidiary
6.	Blushing Cherry Private Limited	Full	51.00% subsidiary
7.	SRH Healthcare Services Private Limited	Full	56.00% subsidiary
8.	Green Goodness Enterprises Private Limited	Full	51.00% subsidiary

**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.

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