

S P Hitech Ventures

July 15, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	100.00	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

The Rating assigned to the bank facility of SP Hitech Ventures is constrained by the delayed commissioning of the project, nascent stage of operations and debt-funded capex resulting in moderate capital structure. The rating also factors in the weak debt coverage metrics with the commencement of term loan repayment while the operation is yet to be scaled up. However, the rating derives strength from the extensive experience and track record of promoters in similar line of business over 25 years and operational linkages with hospitals run by the group.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Ability to increase the operating revenues beyond Rs.100.00 crore and operating margin (PBILDT) beyond 20% on a sustained basis.
- Improvement in Profit before interest, lease rentals, depreciation, and taxation (PBILDT) interest coverage beyond 2.50x on sustainable basis.

Negative Factors

- Lower than estimated occupancy levels at the hospital
- Lower than envisaged operational performance and cash flow from operations leading to any stretch in firm's liquidity position.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from the extensive experience of the promoters in the sector and operational linkages with hospitals run by the group over the medium term.

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak debt coverage metrics owing to delayed commissioning of the hospital

Construction for the new hospital commenced in 2019 and the hospital was scheduled to commence operation in January 2023. However, due to covid and other construction related delays, the project witnessed time overrun and became operational in April 2024. Despite the delay in project completion, with various cost optimization measures undertaken by the management, there was no major cost overrun in the project. However, the term debt repayment started in October 2023 before the hospital was operational resulted in weak debt coverage metrics for the firm. However, the repayment of the term loan is structured with a ballooning structure, with initial years having minimal repayment. Repayment for the loan is being met through regular infusions from the promoters.

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

Nascent stage of operations

The hospital commenced operations on 15th April 2024, after obtaining requisite regulatory clearances. As of June 2024, the firm has around 75 operational beds, with total number of operational beds expected to reach full capacity of 350 nos. by the end of Q3 FY2025. As of June 2024, major departments like Ortho, Gynecology, General medicine, cardiology, laryngology and Oncology, among others are operational.

Competition from established players in the region

SP Medifort hospital is situated in Thiruvananthapuram, one of the most prominent and populated cities in the state of Kerala. The hospital is expected to face stiff competition from other established private hospital chains in the vicinity such as Ananthapuri Hospitals and Research Institute, PRS Hospital, KIMS Hospital and Holy Cross Hospital among others, catering to the same target area/segment. This leads to intense competition not only in attracting patients, but also in recruiting medical professionals. However, comfort is driven on the immense experience of the promoters and knowledge of the business opportunities prevalent in the target area.

Dependence on scarcely available professionals and growing regulation in the industry

The healthcare industry is highly dependent on the availability of qualified and experienced medical professionals. With the increasing competition and the scarcity of medical specialists, the ability of the hospital to retain its current pool would be a key differentiator. Furthermore, the performance of the hospital sector has been affected due to multiple regulatory interventions; further apart from licensing and approvals, the Government is also constantly regulating the prices of drugs and consumables. However, S. Pottivelu group already has presence in healthcare segment with its hospital running successfully in southern region of Kerala. As of Jun-24, SP Medifort hospital has around 28 doctors on their payroll across multiple departments and 16 doctors are available on visiting basis from the other SP group hospitals.

Key Rating Strengths**Established track record of promoters with Strong operational linkages envisaged with other SP group hospitals**

The promoter group has over 25 years of experience in the health care industry with SP Fort Hospital (SP Fort), which was set up in 1998. SP Fort is a 250 bedded hospital which specializes in ortho and trauma care divisions. The promoters are also operating another 50 bedded hospital in the same city by the name "SP Well Fort". The Group also runs a nursing and paramedical college in Trivandrum. Group hospitals are located within 2-3Km from the newly launched SP Medifort hospital, which is expected to benefit from the operational synergies with other group hospitals. The flagship hospital of the group SP Fort recorded a total operating income of Rs. 99.2 Cr with a healthy PAT level of Rs. 30.81 Cr for FY23 and had cash and bank balance of Rs. 42.93 Cr as on March 31, 2023.

Favorable location of the Hospital

The hospital is located in the commercial hub of Trivandrum city, along the National Highway, approximately 5km from the center of the city and just half a kilometer from Trivandrum International Airport. Additionally, the location is around 2.3 Km from Central Railway Station and about 2-3 km from other group hospitals run by the promoters. The hospital is expected to cater to the growing medical tourism market in the country, being favorably located with good connectivity.

Increasing scope of medical tourism in India:

India is increasingly seen as the preferred destination for "medical tourists" seeking affordable treatment abroad. The Indian medical tourism industry boasts key advantages including high-quality facilities, competent English-speaking medical professionals, cost effectiveness and the attractions of tourism. The key advantage of SP Medifort is its proximity to Trivandrum International Airport. S Pottivelu Group with its high legacy in the health care segment in Trivandrum, is expected to make use of the opportunity through this new high- end hospital by catering healthcare services to medical tourists across the globe.

Liquidity: Stretched

The liquidity position of the company is stretched due to the operating losses during the nascent stage of operation. SP Hitech Ventures does not have working capital limits. The firm has an unencumbered cash bank balance of Rs 5.92 crores as of March 2024. The term debt repayment has already started in October 2023 and currently the repayment is serviced from promoter infusion. The firm's cash accruals are expected to be satisfactory to meet the debt obligations from FY27 considering time for operations to stabilize.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hospital](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

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

SP Hitech Ventures is a partnership firm which operates a multispecialty hospital under the name “SP Medifort” at Enchakkal, Thiruvananthapuram, Kerala. SP Medifort is a 450 bedded hospital (including 100 ICU Beds) with various departments like Urology, General Surgery, Endocrinology, Cardiology, Gynecology, Psychiatry & Deaddiction, Orthopedic, Plastic Surgery, Gastroenterology and Neurology among others. SP Medifort commenced commercial operations on April 15th, 2024.

SP Hitech Ventures is promoted by the S. Pottivelu group, which has diversified business interests in segments like health care, logistics, hospitality, financial services, among others and is based out of Thiruvananthapuram, Kerala. The group ventured into healthcare sector in 1998 and presently operates two hospitals by the name of SP Fort Hospital and SP Well Fort hospital in the same city. SP Medifort hospital is a greenfield initiative by the group to cater to the growing demand in the health care sector.

Brief Financials: Not applicable since operations started in April 2024

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: Please refer Annexure-4

Lender details: Please refer 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		-	-	31-05-2033	100.00	CARE BB; 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 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	100.00	CARE BB; Stable				

LT: Long 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

Annexure-5: Lender detailsTo 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.

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About us:

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