

Maax Super Speciality Hospital (Revised)

September 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	66.36	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE has been seeking information from Maax Super Speciality Hospital (Maax) to monitor the rating vide email communications dated May 03, 2024, June 07, 2024, July 02, 2024, July 15, 2024, July 26, 2024, August 01, 2024, August 12, 2024, and August 19, 2024. However, despite our repeated requests, the company has not provided requisite information for monitoring of rating. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been revised on account of the absence of latest information pertaining to the company. The revision in rating factors in non-cooperation by Maax and CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

The rating continues to be constrained by modest scale of operations along with geographical concentration risk, project execution & stabilisation risk, capital intensive & human resource intensive nature of business, impact of government regulations & reputation risk and inherent risk associated with the partnership nature of constitution.

The rating continues to derive strength from sustainable profitability margin along with improvement in net worth, diversified revenue stream across specialisations, satisfactory capital structure & coverage indicators and long track record & vast experience of promoters in medical field.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on August 29, 2023, the following were the rating weaknesses and strengths updated for FY23(A) financials earlier FY23(UA).

Key weaknesses

Modest scale of operations along with geographical concentration risk

Maax is operated by well experienced doctors with very enrich medical experience however, the firm has not been able to scale its operation. For the past 4 years the revenue has been stable with around Rs. 60-80 crore. Also, currently Maax operates in Shimoga, Karnataka only, which exposes it to geographical concentration risk along with high competition from other players in the same industry.

Project execution and stabilisation risk

Maax is currently planning to expand its operation for which it has proposed to take a new building on rent just beside its existing hospital building in Shimoga. The new building is constructed by its sister concern Subbiah hospital which will be given to Maax on rent. The new building would be used to expand its medical operations majorly focusing on critical departments like neurology and cardiology which exposes the firm to stabilisation risk. Apart from this, Maax is also coming up with a new hospital in Udupi for which land with under construction building has been purchased in a e-auction. The remaining additional civil work is pending which is expected to be completed post the transfer of the property to Maax. The hospital is expected to be operational by Q4FY25.

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

Capital intensive and human resource intensive nature of business.

Hospital industry is a capital-intensive industry with relatively long gestation period. Generally, new hospital takes around 2-3 years' time frame to breakeven at operational level. Establishment, occupancy rate and financial stability in the initial period of operation takes time. Further, the maintenance capex required for the hospital industry also remains high owing to regular replacement of equipment's, non-reusable pharmaceutical and surgical products and to update the latest technology. The industry also faces challenges with respect to hiring on-role and/or off-role doctors, nurses and other staff members and is highly dependent on the human resources employed and deployed as per requirement.

Impact of government regulations and reputation risk

The Ministry of Health and Family Welfare ("Health Ministry") by way of notifications dated September 24, 2020, repealed the Indian Medical Council Act, 1956 ("IMC Act") (the law governing medical education and practice in India) and enacted the National Medical Commission Act, 2019 ("NMC Act"). While the hospital itself may present an attractive proposition in terms of reputation and model of operation, even the most well-thought-out plan can sometimes be derailed due to unforeseen regulatory changes. The healthcare industries are inherently exposed to reputational risk as any shortcomings in the medical services or inappropriate behaviour shown towards the patients may hamper the established image of the hospital which may result in revenue loss ultimately.

Inherent risk associated with the partnership nature of constitution.

The partnership firm has the inherent risk of succession plan and the possibility of withdrawal of capital at the time of personal contingency, which can affect the capital structure.

Key strengths

Sustainable profitability margin along with improvement in net worth

Maax has been consistent in its performance and been able to achieve a sustainable PBILDT margins above 23% for past three years. Maax is currently planning to expand its operation which may require high gestation period, resulting which sustenance of current profitability margins would be key monitorable for the credit profile of the firm. Furthermore, there has been improvement in total net worth of the firm from Rs. 19.48 Cr as on March 31, 2022 (A) to Rs. 30.23 as on March 31, 2023 (A) with accretion in profit and capital infused by partners.

Diversified revenue stream across specialisations

Maax has well diversified revenue stream. Hospital's income is well spread across different departments like Orthopaedics, Neurology, Cardiology, Nephrology, General physician, Plastic surgery etc. It also owns a diagnostic centre which is an additional source of income for the hospital.

Satisfactory capital structure and coverage indicators

The capital structure of the firm stood satisfactory with overall gearing at 1.33x as on March 31, 2023 (A) compared to 1.75x as on March 31, 2022 (A). The improvement in overall gearing is backed by increasing net worth of the firm and absence of large debt funded capex. However, total debt/ GCA deteriorated to 3.24x in FY23(A) compared to 2.44x in FY22(A) on account of lower profit accruals. Further, Interest coverage ratio moderated to 5.63x times in FY23(A) compared to 7.19x in FY22(A) on account of increasing interest cost.

Long track record and vast experience of promoters in medical field

Maax super speciality hospital is backed by a team of very experienced promoters. Dr. Nagendra.S (MBBS, MD) is the founder and medical director of this hospital along with other promoters who are partners in the business. The other partners are Sri. T. Subbaramaiah, Dr. Srinivas S (MBBS, MD), Dr. Lata R. Telang (MBBS, DGO) and Dr. Vinaya Srinivas (MBBS, DCP). Same group of promoters have a sister concern hospital named Subbaiah hospital in Shimoga which is providing its medical services for the past 25 years. The promoters also own a Medical College named Subbaiah Institute of Medical Sciences in Shimoga and are the core part of Management Team.

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Hospital](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare Services	Hospital

Maax Super speciality Hospital (Maax) was incorporated in the year 2015 and is operating a hospital in Shivamoga, Karnataka. The hospital is a partnership firm and promoted by Sri T. Subbaramaiah, Dr. S Nagendra, Dr. S Srinivas, Dr. Latha Nagendra, and Dr. Vinayakumari. The hospital is operating with 155 beds including ICUs and dialysis wards. It has 9 operation theatres and 55 specialist doctors. It also operates one diagnostic centre named Bharat diagnostic centre near the hospital in shimoga.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	71.39	80.08
PBILDT	18.82	18.44
PAT	5.57	6.13
Overall gearing (times)	1.75	1.33
Interest coverage (times)	7.19	5.63

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork has conducted the review on the basis of the best available information and has classified Maax as 'Not cooperating' vide its press release dated October 26, 2023, on account of non-availability of information and non-submission of NDS (No default statement).

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2029	66.36	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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	66.36	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (29-Aug-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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