# Durgapur Medical Centre Private Limited

December 09, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 54.58<br>(Reduced from 63.00) | CARE A; Stable | Upgraded from CARE A-; Stable |
| Short-term bank facilities | 4.00 | CARE A1 | Upgraded from CARE A2+ |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Durgapur Medical Centre Private Limited (DMCPL) considers improvement in scale of operations and profitability margins in FY24 (refers to April 01 to March 31) due to ramp up in operations of the newly commissioned bed capacity from August 2023, leading to sustained occupancy and higher average rate per occupied bed (ARPOB) and substantial increase in revenue from pulmonology and nephrology departments.

The rating continues to derive strength from professional and qualified promoters, long-standing presence of the hospital in Durgapur and tie-ups with corporate and government entities. The rating also derives comfort from comfortable capital structure and debt coverage indicators and robust liquidity in the form of cash and fixed deposits.

However, ratings are constrained by geographically concentrated revenue stream from single location hospital, fragmented nature of the industry and high vulnerability to treatment-related and operating risks.

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

**Positive factors**

- Increase in the scale of operation beyond ₹750 crore and operating margin beyond 15% on sustained basis.

**Negative factors**

- Un-envisaged debt funded capital expenditure deteriorating overall gearing and total debt to gross cash accruals (TD/GCA) 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 in Durgapur backed by qualified promoters and doctors. Low term debt repayment obligations, robust cash and liquid investments, and healthy cash flow generated from operations are expected to continue supporting its financial risk profile.

## Detailed description of key rating drivers:

## Key strengths

**Professional and qualified promoters**

Dr Satyajit Bose, Chairman and one DMCPL's co-promoters, is a highly qualified (MBBS, MS [Surgery], M.Ch. [cardio thoracic surgery]) and renowned cardiothoracic surgeon of Kolkata having experience of around four 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. He also offered professional consultancy at other reputed hospitals in the city. Tarun Bhattacharya is the Managing Director, DMCPL. He is also the founder member of engineering colleges in West Bengal. The hospital's day-to-day operations are looked after by Pradipta Kumar Swain (Chief Executive Officer) with support from a team of experienced doctors and professionals.

**Long-standing presence of the hospital in Durgapur**

The Mission Hospital (TMH) is one of the leading multi-specialty hospitals in eastern India outside Kolkata. DMCPL provides secondary and tertiary healthcare services across fields (Orthopaedics, Cardiology, Cardiac Surgery, Nephrology, Pulmonology, Gastroenterology, Neurology, and Laparoscopic Surgery among others) with specialists available round-the-clock exclusively for the hospital. The hospital is equipped with state-of-the-art equipment, ~100 in-house doctors/specialists, 90 trainee doctors (resident medical officers) and 12 visiting doctors and consultants.

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

**Tie up with corporates and government entities**
TMH has tie-ups with corporates and public sector undertakings to provide medical services, including annual check-up of employees. TMH also has tie-ups across Governments including the Government of Bhutan, Government of Sikkim and health schemes of governments including Smile Train, West Bengal Health Scheme 2014, and CM/PM/Governor Relief Fund, among others. Such tie-up ensures steady referrals of patients to TMH, improving its occupancy rate.

**Improvement in scale of operations and profitability margins in FY24**
Total operating income (TOI) improved from ₹313.29 crore in FY23 to ₹381.38 crore in FY24, considering ramp up of operations of newly commissioned bed capacity (149 beds) from August 2023 and substantial increase in revenue from pulmonology and nephrology departments from hiring additional full time doctor consultants. This has led to sustained occupancy of 87% in FY24 and improvement in ARPOB from ₹28,217 in FY23 to ₹31,269 in FY24. Despite an increase in employee cost to arrest attrition, the company maintained its operating margin at 16.22% in FY24 (FY23: 14.16%) due to high occupancy and improved ARPOB.

In H1FY25, the company has reported profit before interest, lease rentals, depreciation, and taxation (PBILDT) of ₹33.43 crore on TOI of ₹217.39 crore against ₹30.66 crore on TOI of ₹180.66 crore in H1FY24.

**Comfortable capital structure and debt protection metrics**
Overall gearing stood comfortable at 0.23x as on March 31, 2024 (0.10x as on March 31, 2023). Slight moderation in gearing is considering higher utilisation of working capital limits as on balance sheet date and availment of term loan of ₹40 crore in October 2023 for reimbursement of capex. TD/GCA moderated from 0.50x in FY23 to 1x in FY24 in view of increase in debt levels, however, it continues to remain comfortable.

## Key weaknesses

**Geographically concentrated revenue stream from single location hospital**
DMCPL is currently operating a 499-bed multi-specialty hospital in Durgapur. Revenue is derived from single hospital resulting in geographical concentration risk and revenue stream from single location hospital.
DMCPL is also planning to set up another multi-specialty hospital with 500 beds in Durgapur in two phases of 250 beds each. The company has already acquired 20 acres of land near Andal airport (Durgapur). Cost and funding pattern for the first phase is yet to be finalised. The construction period for first phase is estimated to be ~3 years starting FY26.

**High vulnerability to treatment related and operating risk**
Healthcare is a highly sensitive sector, where mishandling of a case or negligence on part of doctors and/or staff of the unit can lead to distrust among masses. Thus, all healthcare providers need to monitor each case diligently and maintain high operating standard to avoid unforeseen incidents, which can damage the hospital’s reputation 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 such as range of services offered, quality of service, pedigree of doctors, and success rate in treatment of complex cases, among others will be crucial to attract patients and increase occupancy.

## Liquidity: Strong
The company’s liquidity is strong marked by GCA of ₹53.02 crore against debt repayment obligations of ₹4.99 crore in FY24. Projected cash accruals are expected to be over sufficient to meet debt repayment obligations going forward. Average utilisation of fund based limit for 12-months ending September 2024 stood low at 8%.
Liquidity is further supported by free cash and liquid investments of ₹152.45 crore as on March 31, 2024, and ₹165.62 crore as September 30, 2024, respectively.

## 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
Financial Ratios – Non financial Sector
Short Term Instruments

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Healthcare | Healthcare | Healthcare services | Hospital |

Incorporated in 1987, DMCPL 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. The company increased TMH's bed capacity by 149 beds in a building adjacent to TMH in FY24. 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 hospital's day-to-day operations are looked after by Pradipta Kumar Swain with support from a team of experienced doctors and professionals.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | H1FY25 (UA) |
|---|---|---|---|
| Total operating income | 313.29 | 381.38 | 217.39 |
| PBILDT | 44.35 | 61.85 | 33.43 |
| PAT | 29.95 | 44.69 | 22.73 |
| Overall gearing (times) | 0.10 | 0.23 | NA |
| Interest coverage (times) | 33.60 | 27.01 | 17.59 |

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

**Status of non-cooperation with previous CRA:** CRISIL Ratings Limited has maintained the rating of DMCPL under Issuer not Cooperating category vide press release dated September 11, 2024, due to lack of requisite information for conducting review.

**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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Bank Overdraft | - | - | - | - | 8.06 | CARE A; Stable |
| Fund-based - LT-Cash Credit | - | - | - | - | 11.00 | CARE A; Stable |
| Non-fund-based - ST-BG/LC | - | - | - | - | 4.00 | CARE A1 |
| Term Loan-Long Term | - | - | - | November 2029 | 35.52 | CARE A; Stable |

## 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-Cash Credit | LT | 11.00 | CARE A; Stable | - | 1)CARE A-; Stable (04-Jan-24) | 1)CARE A-; Stable (08-Mar-23) | 1)CARE A-; Stable (24-Mar-22) |
| 2 | Non-fund-based - ST-BG/LC | ST | 4.00 | CARE A1 | - | 1)CARE A2+ (04-Jan-24) | 1)CARE A2+ (08-Mar-23) | 1)CARE A2+ (24-Mar-22) |
| 3 | Term Loan-Long Term | LT | 35.52 | CARE A; Stable | - | 1)CARE A-; Stable (04-Jan-24) | 1)CARE A-; Stable (08-Mar-23) | 1)CARE A-; Stable (24-Mar-22) |
| 4 | Fund-based - LT-Bank Overdraft | LT | 8.06 | CARE A; Stable | - | 1)CARE A-; Stable (04-Jan-24) | - | - |

LT: Long term; ST: Short 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-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 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.

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**About us:**

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