Anandaloke Medical Centre Private Limited

March 21, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	57.11	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	7.89	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE A3 (A Three) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**65.00 (Rs. Sixty-Five Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Anandaloke Medical Centre Private Limited (AMCPL) to monitor the rating(s) vide e-mail communications dated January 04, 2022, March 08, 2022, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. Further, AMCPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on AMCPL's bank facilities will now be denoted as **CARE BB+; Stable; ISSUER NOT COOPERATING*/ CARE A4+; ISSUER NOT COOPERATING***.

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 ratings have been revised on account of lack of adequate information and uncertainty around the credit risk profile of the company. The ratings continue to remain constrained by small scale of operations, stringent regulatory framework for healthcare industry, reputational risk, fragmented healthcare industry, capital intensive and human resource intensive nature of business, large size debt funded project being in nascent stage exposing company to project implementation risk. The above weaknesses are partially offset by experienced promoters and management, satisfactory track record of operations with healthy occupancy rate, satisfactory infrastructure with wide services offerings, association with prominent and experienced team of doctors, empanelment with various established corporates, government organizations, insurance companies and TPA and moderate financial performance during FY18 (refers to the period April 01 to March 31) to FY20 and 9MFY21.

Detailed description of the key rating drivers

At the time of last rating on March 03, 2021, the following were the strengths and weaknesses:

Key Rating Weaknesses

Small scale of operations

Though the total operating income (TOI) has grown at a CAGR of 23.67% from FY18 to FY20 driven by healthy occupancy rate (91% in FY20 vis-à-vis 87.6% in FY18) and increase in revenue from sale of medicine and surgical equipment, the same continued to remain small with TOI of Rs. 64.80 crore in FY20. The management has also maintained that the AMCPL has achieved a turnover of Rs. 30.70 crore in 9MFY21. Further, the total capital employed by the company also remained low at Rs.45.13 crore as on March 31, 2020.

Stringent Regulatory framework for healthcare sectors in India and reputational risk coupled with fragmented healthcare industry

Healthcare sectors in India continue to operate under strict regulatory control. In India, hospitals are governed by various laws such as Indian Medical Council Act 1956, The Clinical Establishments (registration and regulation) Act 2010, Indian Medical Council Regulations 2002 etc. Given the importance of healthcare facilities, Government of India has been taking various steps towards increasing the affordability and coverage of healthcare services in the country by putting price restriction on pharmaceutical entities, medical equipment manufacturers and hospitals services. Various state governments have also implemented the Clinical Practice Establishment Act, bringing in accountability on how hospitals price their cost of services to patient, and penal provisions for violations. Accordingly, regulatory challenges continue to pose a significant risk to private healthcare & educational institutions as they are highly susceptible to changes in regulatory framework.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications
Issuer did not Cooperate; Based on best available information

Healthcare is a highly sensitive sector where any mistake on a critical 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, meticulously and maintain standard of services in order to avoid the occurrence of any unforeseen incident which can damage the reputation of a hospital to a large extent.
The hospital sector is highly fragmented with few large players in the organized sector and numerous small players in the unorganized sector leading to high level of competition in the business. Thus, differentiating factors like range of services offered, quality of service, distinction of doctors, success rate in treatment of complex cases, etc. will be crucial in order to attract patients and increase occupancy. All these lead to high level of competition in the business.

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. Thus, the promoter is required to support the operation until the mentioned parameters reach the minimum desired level. 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. Hence dependence on human resources is high and is employed and deployed as per requirement.

Large size debt funded project being in nascent stage exposing company to project implementation risk
A new 150-bedded Hospital is proposed to be setup at Eastern Byepass Siliguri, the project cost of which is Rs.76.24 crore (excluding interest during construction of Rs.9 crore). For this, AMCPL has proposed to raise a term loan of Rs. 57.11 crore (in-principle approval with 12-year 9 months door to door tenure and 33-month moratorium after first disbursement in place). The project is in its initial phase of implementation and is expected to be completed by September 2023 and debt repayment shall commence from December 2023. The repayment of existing loan before the commencement of repayment of proposed loan provides cushion from credit perspective. The cashflow from existing hospital shall also be available to support initial repayments. Any cost overrun shall be met out of promoters' contribution.

Key Rating Strengths
Experienced promoters and management
The promoter director, Dr. Shusanta Kumar Roy (Managing Director; aged 67 years) has a rich experience of more than 4 decades in medical field with various hospitals and institutions. He holds
an MD degree and is a well-known radiologist in eastern India. He looks after the overall management of the hospital with adequate support from his daughter Dr. Surupa Roy (Director) who is also M.D. (Radio Diagnosis), having a good experience of more than 15 years in the healthcare service industry. Both of them are assisted by a team of experienced and qualified professionals. Dr. Shusanta Kumar Roy's net worth as on March 31, 2020 was Rs.23.32 crore and Dr. Surupa Roy's net worth as on March 31, 2020 was Rs.1.80 crore.

Satisfactory track record of operations with healthy occupancy rate
AMCPL has a satisfactory track record of more than 17 years in the healthcare service industry. Over the years, it has established its brand name in Siliguri market as one of the leading hospitals. The occupancy rate in a hospital depends upon available infrastructure facilities, composition of doctor's, it's brand image, successful handling of cases and easy accessibility for the patient. The occupancy level has remained healthy and the same has increased from 87.60 % during FY18 to 91.00 % during FY20. This apart, Average Revenue per Occupied Bed (ARPOB) has grown at a CAGR of 17.46% from FY18 to FY20.

Moderate financial performance
The total revenue from operations grew at a CAGR of 23.67% from FY18 to FY20 (Rs.64.80 crore in FY20 vis-à-vis Rs.42.37 crore in FY18) on the back of improvement in the occupancy rate (91% in FY20 vis-à-vis 87.6% in FY18) and increase in revenue from sale of medicine and surgical equipment. However, PBILDT margin reduced during FY18-FY20 owing to higher sale of medicine and surgical equipment in FY20 having lower margin. Consequently, PAT level and margin also reduced marginally over the last three years. GCA stood satisfactory in the range of Rs.6.3 crore to Rs.6.9 crore during FY18-FY20.

Satisfactory infrastructure with wide service offerings
AMCPL, is well equipped with state-of-the-art-technology, modern hospital infrastructures like Cath lab, CT Scanning, Cardiology, Dialysis, Endoscopy, MRI scan, X-ray, etc. Furthermore, the hospital offers various in-patient and out-patient healthcare services and covers a wide range of healthcare services like Cardiology, E.N.T., Cosmetic Surgery, Cardio Thoracic, Neurology etc.

Association with prominent and experienced team of doctors
AMCPL has a wide variety of well qualified and experienced doctors/surgeons specializing in various departments like Radiology, Neurology, Gastroenterology, Cardiology etc. The average experiences of the doctors being more than 15 years. They have 200 nursing staffs and 300 other support staffs.
AMCPL has an edge over its competitors due to competitive advantage arising from prominent and highly reputed doctors like Dr. Shusanta Kumar Roy (Radiology), Dr. Ruplekha Roy (Gastroenterology), Dr. Anup Chakraborty (Neuro surgeon), Dr. Debojit Sarkar (Cardiologist), Dr. A.K Sasmal (Specialist in Orthopedics), Dr. Biswajit Dutta (Urosurgeon) and many other highly renowned doctors who have been associated with the hospital for over the years. Both in-house and visiting doctors are specialists in their respective fields and have a wide range of exposure.

Empanelment with various established corporates, government organizations, insurance companies and TPA
AMCPL has tied up with close to 30 corporates such as Airports Authority of India (AIA), Food Corporation of India (FCI), N.F. Railways, State Bank of India, Bajaj Allianz General Insurance Co. Ltd, Max Bhupa Health Insurance Co. Ltd., Paramount TPA Pvt Ltd, Govt. of Sikkim healthcare scheme, etc. for providing health care services to their employees. These tie-ups give access to reach out to and address a dedicated customer base thereby reducing advertising and branding cost to an extent and thus providing revenue stability. This helps in on-boarding patients with minimal hassle and ensures receipt of revenue and/or settlement of bills in a speedy manner. All these coupled with growing popularity has resulted in increased inflow of patients which has helped in maintaining a satisfactory occupancy rate over the years.

Satisfactory capital structure albeit expected to deteriorate due to proposed loan for new project
Despite the capital-intensive nature of business and reliance on infrastructure, equipment, and specialized and skilled human capital, the company's capital structure was comfortable at a debt-equity ratio of 0.24x as on March 31, 2020 (0.25x as on Mar 31, 2019) and healthy interest coverage ratio of 7.33x in FY19 and 6.02x in FY20. Further, AMCPL has a satisfactory overall gearing ratio of 0.50x as in March 31, 2020. AMCPL is proposing to avail a term loan of Rs.56.80 crore for its upcoming 150 bed hospital in Siliguri. Hence, the overall gearing ratio is expected to deteriorate in the near future after factoring the same.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
Policy on default recognition
Financial Ratios – Non -financial Sector
Rating Outlook and Credit Watch
Short Term Instruments
Hospital
Education

About the Company
Anandaloke Medical Centre Pvt. Ltd (AMCPL), incorporated in August, 2000 as Anandaloke Medical & Research Centre Pvt. Ltd, is promoted by Dr. Shusanta Roy based out of Siliguri, West Bengal. The Company started operation with a 25-bed hospital in July 2003 in the name of Anandaloke Hospital and Neurosciences Centre. Subsequently in 2005, the company expanded the capacity to 100 beds and further in 2018, the bed capacity was increased to 150. In January 2007, the company was rechristened to its present name. Currently, the hospital is operating with a capacity of 150 beds (29 ICU, 17 Private rooms and 104 General wards) with an occupancy rate of around 91% in FY20.
Apart from providing healthcare services, the company also operates one Paramedical Institute for imparting knowledge on technician courses and one school of nursing education (Anandaloke Institute of Nursing Education – for General Nursing and Midwifery (GNM) and B.Sc – Nursing Courses (intake capacity of 80 students) to impart knowledge and training in nursing and paramedical sciences which was started from academic year (A.Y.) 2010-2011 and B. Sc from AY 2018-19.
The Company is currently undertaking a project for setting up a new 150 bedded multi-speciality hospital in Eastern Bypass.
The other companies under the promoters are Anandaloke Sonoscan Centre Pvt Ltd (ASCPL) - which operates a diagnostic centre and Anandaloke Medical Stores (AMS) – which operates a pharmacy.
The overall operations are handled by Dr. Sushanta Kumar Roy and Dr. Surupa Roy. AMCPL is NABH accredited and ISO certified

Brief Financials (Rs. crore)	31-03-2019(A)	31-03-2020 (A)	FY21-9MFY22
Total operating income	47.91	64.79	NA
PBILDT	8.06	9.17	NA
PAT	3.01	3.61	NA
Overall gearing (times)	0.57	0.50	NA
Interest coverage (times)	7.33	6.02	NA

A: Audited; NA: Not 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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Bank Guarantee		-	-	-	0.39	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - ST-Bank Overdraft		-	-	-	7.50	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	Proposed	57.11	CARE BB+; Stable; ISSUER NOT COOPERATING*

** Issuer did not Cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (26-Oct-18)
2	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	-	1)Withdrawn (26-Oct-18)
3	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	-	1)Withdrawn (26-Oct-18)
4	Non-fund-based - ST-Bank Guarantee	ST	0.39	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (03-Mar-21)	-	-
5	Fund-based - ST-Bank Overdraft	ST	7.50	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (03-Mar-21)	-	-
6	Fund-based - LT-Term Loan	LT	57.11	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (03-Mar-21)	-	-

** Issuer did not Cooperate; Based on best available information*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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 CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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