

Q1 Bone & Joint Hospital

January 22, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	11.12	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable)
Total Bank Facilities	11.12 (Rs. Eleven Crore and Twelve Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 02, 2020 placed the rating(s) of Q1 Bone & Joint Hospital (Q1), under the 'issuer non-cooperating' category as Q1 had failed to provide information for monitoring of the ratings. Q1 continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails dated January 2020 to January 08, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE'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.

The revision in the rating takes into account the non-availability of requisite information due to non-cooperation by Q1 Bone & Joint Hospital with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

Detailed description of the key rating drivers

At the time of last rating on January 02, 2020 the following were the rating strengths and weaknesses:

Key Rating Weakness

Leveraged capital structure of the firm

The capital structure of the firm marked by debt equity and overall gearing ratio stood at 2.42x and 2.53x respectively as on March 31, 2018. The debt coverage indicators marked by total debt/GCA and PBILDT interest coverage remained at 7.31x and 2.55x respectively during FY18.

Small scale of operations with net loss during FY18

The total operating income of the firm stood at Rs. 12.54 crore in FY18 and has incurred net loss Rs. 2.08 crore in FY18

High vulnerability to treatment-related risks

Healthcare is a highly sensitive sector where any mishandling of a case or negligence on the 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 and maintain high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent.

Constitution of the entity as a partnership firm with inherent risk of withdrawal of capital

The firm being a partnership firm is exposed to inherent risk of capital withdrawal by the partners, due to its nature of constitution. Further, any substantial withdrawals from capital account would impact the net worth and thereby the financial profile of the firm.

Competition from upcoming and existing hospitals

The healthcare 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. However, the competition in Vishakhapatnam remains a challenge. In light of intense competition, Q1 prospects would depend upon its ability to profitably scale up the operations and success rate in treatment of complex cases, to attract patients and increase occupancy.

Key Rating Strengths

Qualified and experienced promoters for more than one decade in medical professional services

Q1 has been promoted by Dr. Ramana Murthy and Dr. Madhavi who are the managing partner and partner of the firm. Dr. Ramana Murthy has completed MBBS from Andhra Medical College, Visakhapatnam, post-Graduation from Nizam's Institute of Medical Sciences (NIMS), Hyderabad and fellow in joint replacement and arthroscopic surgery from Virchow University, Germany. He is known for being first in introducing computer navigation (Orthopilot) technology in coastal Andhra Pradesh. He has around 12 years of experience in handling arthroscopic (keyhole joint surgery) –ligament reconstruction and meniscus repairs and done around 6000 cases handling several complex trauma and sports injuries as well. The other partner Dr. Madhavi is wife of the managing partner Mr. Ramana Murthy is an MBBS from Andhra

Medical College, Visakhapatnam. She worked as an associate professor at Andhra Medical College, Vishakapatnam in social and preventive medicine. The firm is likely to get benefitted by its qualified and experienced partners.

Satisfactory infrastructure with modern equipment and services with location advantage

Q1 hospital has satisfactory infrastructure with moderate equipment's and services. Q1 is a 100 bedded comprehensive super specialty hospital with state of the Ultrasound, X ray, Laboratory, ICU, Medical store, C.T. Scan, 2D Echo and operation Theatre. Q1 is operating 24 hours Pharmacy, Laboratory and Ambulance services as well. The entity's hospital has a total built-up area of 1,20,000 Sq.ft. (Basement + Cellar + 5 floors). Ground floor of the hospital has 21 rooms, 1stfloor has 22 rooms, 2ndfloor has operation theatre and ICU, 3rdfloor has 17 rooms and 4thfloor has 24 rooms. The hospital provides services related to physiotherapy, bariatric surgery, dental surgery, ENT, infertility, joint replacements, Neuro, Gynecology, Opthamology, etc. Further the hospital is located in one of the prime locations in the city of Vishakapatnam i.e. Health City, Chinnagadili, Arilova, Vishakapatnam; facilitating visibility and mobility of the customers with easy reach to the hospital.

Major approvals in place

Q1 has obtained major approvals like approval letter from Joint Chief Environment Engineer, AP Pollution Board, certificate of registration of Allopathic Private Medical Care Establishment, Drug License authority, fire approval from AP State Disaster, license for industries factories trade and business, certificate of membership with Maridi Eco Industries (Andhra) Private Limited, certificate of registration (Form-B), License from Proh & Excise Department Visakhapatnam, Durable medical Equipment (DME)from AP, Vijayawada.

Increase in total operating income during FY18

The total operating income of the firm increased to Rs. 12.54 crore in FY18.

Increase in PBILDT margin

The PBILDT margin of the firm stood at 29.98% and the firm incurred net loss of Rs. 2.08 crore in FY18.

Stable outlook for Health care industry

India is a land full of opportunities for players in the medical devices industry. The country has also become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep. In the Union Budget 2017-18, the overall health budget increased from INR 39,879 crore (US\$ 5.96 billion) (1.97% of total Union Budget) to INR 48,878 crore (US\$ 7.3 billion) (2.27% of total Union Budget). In addition, the Government of India made following announcements in the Union Budget 2017-18: .The Union Cabinet, Government of India, has approved the National Health Policy 2017, which will provide the policy framework for achieving universal health coverage and delivering quality health care services to all at an affordable cost.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Firm

Q1 Bone & Joint Hospitals (Q1) was set up in 2012 by Dr.Ramana Murthy (Managing Partner) and Dr.Madhavi (Partner). Q1 had setup a super specialty hospital with 100 beds (General Wards 28, Private Rooms with AC 26, private rooms without AC 25, Intensive care unit with 21 beds) capacity in Visakhapatnam, Andhra Pradesh.Q1 have modern equipment and infrastructure which includes fully automated biochemistry analyser, biometric Mini Vidas, Radio meter, Microscope and Coagulation Analyser among others. The hospital has a panel of specialists in the field of Orthopedics, Urology, Nephrology, Neuro surgeon and their services are available on regular and consultancy basis as well. Q1 runs with all moderate equipments and facilities like, Ultrasound, X ray, Laboratory, 24 hours Ambulances service, ICU, Medical store, C.T. Scan, 2D Echo and operation Theatre. The building premise is located at Health City, Arilova, Visakhapatnam, Andhra Pradesh.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	0.41	12.54
PBILDT	0.00	3.76
PAT	-1.45	-2.08
Overall gearing (times)	2.32	2.53
Interest coverage (times)	0.01	2.55

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	December-2024	8.51	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	December-2024	2.36	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	0.25	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on based 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	8.51	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Jan-20)	1)CARE BB-; Stable (07-Aug-18)	1)CARE B+; Stable (30-Oct-17)
2.	Fund-based - LT-Term Loan	LT	2.36	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Jan-20)	1)CARE BB-; Stable (07-Aug-18)	1)CARE B+; Stable (30-Oct-17)
3.	Fund-based - LT-Cash Credit	LT	0.25	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Jan-20)	1)CARE BB-; Stable (07-Aug-18)	1)CARE B+; Stable (30-Oct-17)

*Issuer did not cooperate; based on based available information

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

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

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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