

## Durgapur Medical Centre Private Limited

March 24, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	47.16 (Enhanced from 11.70)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)
Short Term Bank Facilities	4.00	CARE A2+ (A Two Plus)	Revised from CARE A2 (A Two)
<b>Total Bank Facilities</b>	<b>51.16</b> <b>(Rs. Fifty-One Crore and</b> <b>Sixteen Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Durgapur Medical Centre Private Limited (DMCPL) factors in improvement in occupancy ratio and Average Revenue Per Occupied Bed (ARPOB) in 9MFY22 (refers to the period from April 01 to December 31) leading to improvement in scale of operations and profitability after stable performance in FY21 (refers to the period from April 01 to March 31) coupled with comfortable capital structure and debt protection metrics. The ratings continue to derive strength from professional & qualified promoters, long standing presence of the hospital in the Durgapur region with presence of professional and qualified doctors, diversified revenue profile being a major multi-specialty hospital, tie up arrangement with various corporate and government entities. However, the ratings are constrained by geographically concentrated revenue stream from single location hospital, risk associated with on-going project, high vulnerability to treatment related and operating risk and fragmented nature of the industry.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Ability to increase the scale of operation beyond Rs.500 crore and operating margin (PBILDT) beyond 15% on sustained basis

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any un-envisaged incremental debt funded capital expenditure deteriorating its overall gearing and TDGCA beyond 0.50x and 1.50x respectively.
- Deterioration in occupancy level below 65% on sustained basis

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Professional and qualified promoters

Dr. Satyajit Bose, Chairman and one of the co-promoter of DMCPL, is a highly qualified [MBBS, MS (Surgery), M.Ch. (cardio thoracic surgery)] and renowned cardiothoracic surgeon of Kolkata having experience of around two 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.

This apart he also offered professional consultancy at other reputed hospitals of the city. Mr. Tarun Bhattacharya is the managing director of DMCPL. He is also the founder member of various engineering colleges in West Bengal. The day-to-day operation of the hospital is being looked after by Mr. Pradipta Kumar Swain (CFO) along with the support from a team of experienced doctors and professionals.

##### Long standing presence of the hospital in the Durgapur region with presence of professional and qualified doctors

The Mission Hospital (TMH) under DMCPL started its operation way back in April 2008 and is the first multi-specialty hospital in Eastern India outside Kolkata. DMCPL provides secondary and tertiary healthcare services in various fields (Orthopaedics, Cardiology, Cardiac Surgery, Nephrology, Pulmonology, Gastroenterology, Neurology, Laparoscopic Surgery etc.) with specialists available round the clock exclusively for the hospital. The hospital is equipped with state-of-the-art equipment, around 90 in-house doctors/specialists, 20 visiting doctors and consultants and well-trained staff. DMCPL has received NABH accreditation which reassures the high standard for quality care and patient safety.

##### Increase in scale of operations and profitability backed by improvement in ARPOB & occupancy in 9MFY22 after stable performance in FY21

The total operating income of the company increased ~3% y-o-y to Rs.212.83 crore in FY21 on account of increase in ARPOB. Although occupancy ratio moderated from 82% in FY20 to 78% in FY21, ARPOB increased by ~9% to Rs. 24,995 in FY21 as against Rs.22,887 in FY20. The company's operations were affected for 2 months from April, 2020 to May, 2020 due to Covid-19. However, the situation normalized from June 2020 leading to a stable revenue in FY21. The PBILDT margin improved slightly

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

from 11.51% in FY20 to 11.75% in FY21. Interest coverage ratio stood stable at 20.33x in FY21 vis-à-vis 22.76x in FY20 owing to stable PBILDT level. The company reported PAT of Rs. 12.19 cr in FY21 (PY: Rs. 12.53 cr).

The company has set up a Patient care center cum diagnostic facility (Radiology & Pathology) with 24 hr pharmacy in Asansol which became operational from April 01, 2021.

In 9MFY22, the company's total operating income has improved significantly to Rs.208 crore due to increase in occupancy ratio to ~89% and ARPOB increased further to Rs.27,421. This has led to improvement in PBIDT margins to 18.76% in 9MFY22.

#### **Comfortable capital structure and debt protection metrics**

The capital structure of the company continued to remain comfortable at 0.17x as on March 31, 2021 vis-à-vis 0.10x as on March 31, 2020. The company availed term loan amounting Rs. 11.45 cr (out of total sanction of Rs.30 crore) for expansion of 150 bed facility in adjacent to current hospital in FY21 leading to increase in gearing ratio. The debt protection metrics marked by TD/GCA also moderated however stood comfortable at 1.08x as on March 31, 2021 (0.59x as on March 31, 2019).

#### **Diversified revenue profile being a major multi-speciality hospital in Durgapur**

The company's total income is spread across various specialities like Orthopaedics, Cardiology, Pulmonology, Nephrology, Gastroenterology etc. Orthopaedics and cardiology contribute to major source of revenue. During 9MFY22, the IPD revenue witnessed y-o-y growth of 27% to Rs. 153.92 cr against revenue of Rs. 121.51 cr in 9MFY21.

#### **Tie up arrangement with various corporate and government entities**

The Mission Hospital (TMH) has tie-ups with various corporates like SAIL on an all India basis along with PSUs like Eastern Coalfields Limited, Bharat Coking Coal Limited etc, to provide medical services, including annual check-up of the employees. Apart from corporates, TMH also has tie-ups with various Governments under their health schemes like Govt. of Bhutan for all kind of spine and ortho surgery and Govt. of WB for child heart surgery under 'Shishu Saathi Scheme'. Such tie-up ensures steady referrals of patients to TMH, thereby improving its occupancy rate.

#### **Key Rating Weaknesses**

##### **Geographically concentrated revenue stream from single location hospital**

DMCPL is currently operating a 350 beds multi-specialty hospital in Durgapur under the name "The Mission Hospital". The revenue is being derived from single hospital resulting in geographical concentration risk along with revenue stream from single location hospital.

##### **Risk associated with on-going project**

The company is setting up an additional 150 bed adjacent to the existing hospital and is expected to become operational from Oct 1, 2022. Out of total project cost of Rs. 30 cr, till February 28, 2022, the company has spent a total of ~Rs.25 crore on this project which was funded through term loan of Rs.11.45 crore and remaining through internal accruals. The company is expected to incur further Rs.5 crore from cash accruals and will not draw down further debt as articulated by management.

##### **High vulnerability to treatment related and operating risk**

Healthcare is a highly sensitive sector where any mishandling of a 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 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.

##### **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 like range of services offered, quality of service, pedigree of doctors, success rate in treatment of complex cases, etc. will be crucial in order to attract patients and increase occupancy.

##### **Liquidity: Adequate**

The liquidity profile of the company is adequate liquidity characterized by sufficient cushion in accruals of Rs.20.51 crore vis-à-vis negligible debt repayment obligations. Out of total repayment of Rs. 1.88 cr in FY22, the company has already paid Rs.1.81 cr till Feb 28, 2022. The remaining debt repayment is expected to be repaid through cash accruals. Average Fund based limit utilization for the last 12 months ending Dec 2021 stood at 10%. As on December 31, 2021, cash and liquid investments stood at Rs.55.32 crore.

**Analytical approach:** Standalone

##### **Applicable criteria**

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hospital](#)

### About the Company

Durgapur Medical Centre Pvt. Ltd. (DMCPL), incorporated in 1987, is currently operating a 350 beds multi-specialty hospital at Durgapur, named 'The Mission Hospital' (TMH). TMH became operational in April 2008. Initially, the company remained dormant for 17 years and was subsequently taken over by the present management led by Dr. Satyajit Bose in 2004. DMCPL is a professionally-managed closely held company with its board consisting of four promoter directors. The day-to-day operation of the hospital is being looked after by Mr. Pradipta Kumar Swain (CFO) along with the support from a team of experienced doctors and professionals

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	206.00	212.83	208.11
PBILDT	23.72	25.00	39.05
PAT	12.53	12.19	24.15
Overall gearing (times)	0.10	0.17	0.18
Interest coverage (times)	22.76	20.33	41.99

A: Audited, UA: Unaudited

**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
Fund-based - LT-Cash Credit		-	-	-	13.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	4.00	CARE A2+
Term Loan-Long Term		-	-	Feb 2028	34.16	CARE A-; Stable

**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-Cash Credit	LT	13.00	CARE A-; Stable	-	1)CARE BBB+; Stable (23-Mar-21) 2)CARE BBB+; Stable (03-Apr-20)	-	1)CARE BBB+; Stable (07-Mar-19)
2	Non-fund-based - ST-BG/LC	ST	4.00	CARE A2+	-	1)CARE A2 (23-Mar-21) 2)CARE A2 (03-Apr-20)	-	1)CARE A2 (07-Mar-19)
3	Term Loan-Long Term	LT	34.16	CARE A-; Stable	-	1)CARE BBB+; Stable (23-Mar-21) 2)CARE BBB+; Stable (03-Apr-20)	-	1)CARE BBB+; Stable (07-Mar-19)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA****Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Term Loan-Long Term	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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