

Anjali Multi Speciality Hospital

October 25, 2021

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	17.63	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total Facilities	17.63 (Rupees Seventeen crore Sixty-three lacs only)		

Details of facilities in Annexure -1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Anjali Multi Speciality Hospital (AMSH) are primarily constrained on account of small scale of operations, moderate profitability, moderate capital structure and debt coverage indicators along with stretched liquidity during FY21 (Provisional; refers to the period April 1 to March 31). The ratings also factor in its challenges of attracting and retaining quality doctors and medical professionals as well as constitution of entity as a partnership firm. The ratings, also, takes note of ongoing debt funded capex pertaining to extension of its existing medical facilities.

However, the ratings derive strength from location advantage and experienced doctors' team along with positive long-term outlook for the healthcare sector in India albeit increasing competition.

Rating Sensitivities

Positive Factors

- Sustainable improvement in scale of operations marked by Total Operating Income (TOI) by 30% or more while sustaining the moderate profit margins
- Improvement in capital structure and debt coverage indicators from current levels
- Successful completion of ongoing debt funded capex within the envisaged time and cost parameters with timely financial closure

Negative Factors

- Decline in scale of operations by more than 40% with dip in cash accruals impacting debt repayments
- Deterioration in capital structure marked by overall gearing of higher than 2.50 times
- Deterioration in liquidity level with an elongation in operating cycle to beyond 90 days

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations coupled with moderate profitability

AMSH has started its commercial operations from August 2019. The scale of operations of AMSH marked by TOI remained modest at Rs.6.80 crore during FY21 as against Rs.0.92 crore during 8MFY20, FY20 being first year of operations. Income mainly generated from COVID19 patient care income as till May, 2021 AMSH was operating at fully COVID19 hospital as per the Government guidelines. However, from June, 2021 AMSH was converted into Non COVID Hospital.

The profitability as marked by PBILDT margin remained moderate at Rs.3.80 crore (55.93%) in FY21 from operating loss of Rs.0.39 crore in FY20, FY20 being first year of operations. Moderate operating profits led to low net profit of Rs.0.62 crore in FY21, led by higher depreciation and interest costs in the preliminary years of operations. Gross Cash Accruals (GCA) level remained moderate at Rs.2.71 crore in FY21 as against cash losses booked in FY20.

Moderate capital structure and debt coverage indicators

The capital structure of AMSH remained moderate marked by an overall gearing ratio of 1.89 times as on March 31, 2021 [1.82 times as on March 31, 2020], mainly on account of an increase in the total debt level led by avilment of fresh working capital term loans under COVID19 relief package of Rs.1.18 crore during FY21. The tangible net worth stood low at Rs.6.47 crore as on March 31, 2021.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

The debt coverage indicators of AMSH remained moderate as marked by total debt to GCA (TDGCA) of 4.52 years as on March 31, 2021 as against cash losses booked in FY20. Further, interest coverage remained moderate at 3.48 times during FY21 as against operating losses booked in FY20.

On-going Debt Funded Capex

AMSH is currently undertaking debt funded capex for extending its cardiology department, developing dialysis unit and Trauma center. The total expected cost of capex is estimated at Rs.7.41 crore towards medical equipment. Till September 27, 2021 AMSH has incurred cost of Rs.0.71 crore funded from infusion by the promoters towards advance payment to the supplier of machines. However, financial closure is pending. The project is expected to be complete by the end of January 2022 and commence operations from February 2022.

Partnership nature of constitution

On account of AMSH's constitution as a partnership firm, the risk associated with withdrawal of partner's capital exists which may affect its financial flexibility in the eventuality of occurrence of death/insolvency of partner as it has limited ability to raise capital and poor succession planning may result in dissolution of the firm.

Challenges of attracting and retaining quality doctors and medical professionals

Undertaking new project or expanding existing facilities requires trained doctors and medical personnel. Due to scarcity of trained medical persons including doctors owing to heavy competition in the state of Gujarat, it becomes relatively difficult to attract and retain skilled pool of medical personnel. Further, the loss of the services of any senior medical personnel may seriously impair the entity's ability to continue to manage and expand its operations due to highly skill driven nature of medical services. However, given the increasing competition and scarcity of quality medical specialists, the ability of the firm to retain its current medical fraternity would be a key differentiator. AMSH has a dedicated team of full-time consultant doctors who practice in various therapeutic areas.

Key Rating Strengths

Location Advantage

AMSH is located at Tarapur Vasad Highway, Borsad which is surrounded by around 45 small villages within a distance of 10-15 km. Further, Borsad city has population of ~64000 and there are only 3 medium sized hospitals which do not have modern medical Equipments or facilities. Hence, AMSH is expected to cater demand from near by small villages. Further, there are a lot of medical colleges in and around Borsad which will make availability of doctors easy.

Experienced doctors' team

The promoter of AMSH, Dr. Parth Shah (Master of Dental Science) has experience of two years as a Dental specialist in Anjali Dental clinic. Other than the promoters, AMSH has appointed 16 experienced doctors hold specialization as Cardiologist, Onchologist, MD – Physician, Gynaecologist, Nephrologist, E.N.T Surgeon, Neuro Surgeon, Urologist, Anaesthetist, Orthopedic Expert, Maxillofacial Surgeon etc. Majority of the appointed doctors holds rich experience ranging from one to three decades.

Positive long-term outlook for the healthcare sector in India albeit increasing competition

The Hospital and Health services industry is the largest component of the Indian health care sector, comprising 70% of the sector. The net sale of the entire industry has grown at a healthy double-digit growth during past couple of years. The healthcare services 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, pedigree of doctors, success rate in treatment of critical / complex diseases, etc. will be crucial in order to attract patients and increase occupancy. With the Outbreak of Covid-19, profitability margins of the industry remained under pressure till H1FY21 due to drop in outpatient footfalls and elective surgeries. However, the long-term prospect of the industry remains positive and continue to grow backed by an increase in demand for modern healthcare facilities, a rise in awareness about diseases, health consciousness among people, increase in per capita income, changing lifestyle, transition in disease profile etc.

Liquidity Analysis: Stretched

The liquidity position of the firm remained stretched marked by low cash and bank balance of Rs.0.44 crore as on March 31, 2021, while the net cash flow from operations remained modest at Rs.2.01 crore in FY21 which improved as against previous year on account of improved profitability level. The average utilization of working capital remained around 90% for past twelve months ended August 31, 2021. The current ratio stood moderate at 1.37 times as on March 31, 2021.

Operating cycle remained negative at 97 days led by higher creditor days for credit period availed from suppliers of oxygen cylinders and other medical equipments'. GCA level remained moderate at Rs.2.71 crore during FY21 as against debt repayments of Rs.1.70 crore arising in FY22.

The entity has availed moratorium for repayment of term loan interest from March 2020 to August 2020. AMSH has availed Working Capital Term Loan of Rs.0.11 Crore, Funded interest term loan of Rs.1.06 crore and term loan under Guaranteed Emergency Credit Line (GECL) Scheme of Rs.1.92 crore which are fully disbursed.

Analytical approach: Standalone

Applicable criteria:

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology – Hospital Industry](#)

[Rating Methodology - Service Sector Companies](#)

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

About the Firm

Borsad- Anand (Gujarat) based Anjali Multi-Speciality Hospital (AMSH) is engaged in providing advanced healthcare services. AMSH was originally established in September 2016 by Mr. Kamleshkumar Shah, Mrs. Rupa Kamlesh Shah and Mr. Vikram Shah. Later, during December, 2016 Mr. Dr. Parth Shah (Son of Mr. Kamleshkumar and Mrs. Rupa Shah) added as one of the partners. The hospital had a soft launch in July 2019, it commenced operations from August, 2019. AMSH is currently operating with 140 beds having capacity of 250 beds at Borsad, Dist., Anand having various departments such as Gynecology & Obstetrics, Pediatrics medicine, Surgical Gastroenterology, Neurosurgery, Endocrinology psychiatry, Dentist, blood bank, Cardiothoracic & Surgery, Neonatology, Orthopedics, Nephrology, Urosurgery, Plastic surgery, HIV-AIDS, Blood bank etc., equipped with latest health care facilities.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (Prov.)
Total operating income	0.92	6.80
PBILDT	(0.39)	3.80
PAT	(2.18)	0.62
Overall gearing (times)	1.82	1.89
Interest coverage (times)	NM	3.48

A: Audited, Prov.: Provisional, NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors/ Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Please refer Annexure-3

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

Bank lender details: Please refer Annexure-5

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-Bank Overdraft		-	-	-	0.70	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	May-2025	10.53	CARE B+; Stable
Fund-based - LT-Proposed fund based limits		-	-	-	6.40	CARE B+; 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-Bank Overdraft	LT	0.70	CARE B+; Stable				
2	Fund-based - LT-Term Loan	LT	10.53	CARE B+; Stable				
3	Fund-based - LT-Proposed fund based limits	LT	6.40	CARE B+; Stable				

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-Bank Overdraft	Simple
2	Fund-based - LT-Proposed fund based limits	Simple
3	Fund-based - LT-Term Loan	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 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.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no.: 022-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Ms. Sajni Shah
Contact no.079- 40265683
Email ID: sajni.shahi@careratings.com

Relationship Contact

Name: Mr. Deepak Prajapati
Contact no.: 079-40265656
Email ID: deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**