North East Onco Care Limited

February 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	15.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**15.00 (Rs. Fifteen Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd has been seeking information from North East Onco Care Limited(NEOCL) to monitor the ratings vide e-mail communications/letters dated October 20, 2021, November 09, 2021, December 15, 2021, January 31, 2022, February 15, 2022, February 16, 2022 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 ratings 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. The rating on NEOCL's bank facilities will now be denoted as **CARE B+; Stable; 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 assigned to the bank facilities of North East Onco Care Limited (NEOCL) have been revised primarily on account of non-availability of requisite information. The revision also factored in decrease in scale of operation along with reporting net loss as well as cash loss during FY21(Audited, refers to period April 01 to March 31) and deterioration in its debt servicing indicators. The ratings also consider concentration on the revenue stream, capital intensive and human resource intensive nature of business, limited geographical reach and competition from established players in the region and project implementation risk. The rating, however, derives comfort from experienced promoters with expertise in Healthcare sector, Healthy operational parameters with strong occupancy rate, steady average length of stay (ALOS) & moderate average revenue per occupied bed (ARPOB) and comfortable capital structure.

Detailed description of the key rating drivers

At the time of last rating on April 08, 2021 the following were the rating strengths and weaknesses (updated from information available from registrar of companies):

Key Rating Weaknesses

Decline in scale of operation along with net losses as well as cash losses reported during FY21

TOI has declined by 38% and remained small at Rs. 13.40 crores as against Rs. 18.60 crores during FY20. Further, the company has turned to losses during the year. During FY21, the company has booked operating loss of Rs. 1.89 crores and net loss of Rs. 3.29 crores as against PBILDT of Rs. 1.59 crores and PAT of Rs. 0.06 crores respectively during FY20.

Further the company has booked cash loss of Rs. 2.06 crore during FY21 as against GCA of Rs. 1.26 crore during FY20.

Deterioration in debt coverage indicators

As the company has reported net losses as well as cash losses, the debt coverage indicators remained weak marked by negative TDGCA during FY21 as against 1.68 years during FY20. Further, the interest coverage ratio also turned negative on account of operating loss during FY21 as against 4.44x during FY20.

Concentration in the revenue stream

The company derived its revenue from Oncology department alone as the hospital provides services to the cancer patients only. The revenue stream therefore associated with a concentration risk. The continued availability of professionals in the department and maintenance of service quality will directly affect the revenue stream of the company from this department.

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

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

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.

Limited geographical reach and competition from established players in the region
The company is operating a single hospital in Guwahati (Assam). This limits the ability to tap opportunities and revenue. Further, though the hospital has an established oncology and cardiology department, it faces stiff competition from several other private hospital chains. This leads to competition not only in acquiring patients, but also in attracting medical professionals.

Project implementation risk
The company is undertaking a project for installation of latest advance equipment (Linear Accelerator) at a cost of Rs.19.78 Crore and at its existing premises. The project was earlier expected to be completed by January, 2021. However, the project got delayed owing to the impact of Covid-19 on the operations of the hospital and limited availability of workers as a result of the pandemic and it is expected to complete by April, 2021. The total projected cost is estimated at Rs.19.78 crore out of which Rs.0.25 crore has already been incurred as on November 30, 2020 through internal accruals generated by the company. The balance amount will be funded through term loan of Rs.14.90 crore, promoter's contribution by way of equity of Rs.1.00 crore and Rs.3.88 crore by way of internal accruals of the company. The term loan has already been sanctioned. Successful completion of the project within the time and cost estimates will remain critical for the company.

Key Rating Strengths
Experienced promoters with expertise in Healthcare sector
NOECL commenced healthcare operation by building hospital (with seventy-five beds capacity) in 2003 and the operation has started from 2008. It has operated the single hospital in Guwahati, Assam under the brand name "North East Cancer Hospital and Research Institute". Dr. Munindra Narayan Baruah, Managing Director of NOECL, is a qualified and renowned doctor in the field of head and neck oncology. He has about two decades of experience in the healthcare sector. He looks after the day-to-day affairs of the company along with the support of experienced professionals.

Healthy operational parameters with strong occupancy rate, steady average length of stay (ALOS) and moderate average revenue per occupied bed (ARPOB)
The overall occupancy rate of NEOCL has been moderated to 85% in FY20 from 89% in FY19 and 96% in FY18 due to decrease in demand resulting to decrease in patient and NEOCL reported a higher average revenue per occupied bed though it has moderated to Rs.2745313 in FY20 (from Rs.3088060 in FY19 and Rs.3658333 in FY18) as cancer treatment is highly expensive among others. The average length of stay per patient remained stable during FY18-FY20. Further, the operation in H1FY21 has been impacted on account of sudden outbreak of novel corona virus for which the hospital was closed during April-June due to countrywide lockdown and the operation has started from July, 2020. As a result, the overall occupancy rate has deteriorated in H1FY21 to 64%. The company has able to generate revenue of Rs.8.29 Crore in 8MFY21.

Comfortable capital structure
Capital structure continued to remained comfortable marked by overall gearing ratio of 0.22x as on March 31, 2021 as against 0.16x as on March 31, 2020 on the back of low debt levels.

Analytical Approach: Standalone

Applicable Criteria
[Policy in respect of Non-cooperation by issuer]
[Criteria on assigning outlook and credit watch to Credit Ratings]
[CARE's Policy on Default Recognition]
[Rating Methodology for Hospital Industry]
[Financial ratios – Non-Financial Sector]

About the Company
North East Onco Care Ltd. (NEOCL) was incorporated on October 28, 2003. It is an Assam-based company engaged in healthcare business for cancer treatment with around 75 bed capacity as on October 31, 2020. It is the first comprehensive Cancer care center of its kind in North East India under private sector. The Company has been operating as a state of art cancer hospital and research center for almost 10 years now as a brand name "North East Cancer Hospital and Research Institute". The institute is recognized by UICC (Union for International Cancer Control), Geneva. The Company is planning to procure latest advanced equipment (Linear Accelerator) at a cost of Rs.18.84 Crore which would help them to offer better treatment and customer Services. The completion of enhanced capacity of unit is expected by June, 2021 and commercial operation will start from July, 2021.
The company is managed by a six-board member headed by Mr. Ganesh Tamuli, Chairman (60 years), Dr. Munindra Narayan Baruah (aged - 59 years), MD and Dr. Pranab Malla Baruah (68 years), Whole time Director, Dr. Munindra Narayan Baruah is a qualified (MS, FICS) and renowned doctor in the field of Head & Neck Oncology.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22(Prov.)
Total operating income	18.60	13.41	NA
PBILDT	1.59	-1.89	NA
PAT	0.06	-3.29	NA
Overall gearing (times)	0.16	0.22	NA
Interest coverage (times)	4.44	NM	NA

A; Audited; Prov.; Provisional; NA: Not Available; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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

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-Term Loan		-	-	March 2028	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*

**Issuer Not co-operating; 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	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (08-Apr-21)	-	-	-

**Issuer Not co-operating; 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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings:
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.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**