

Dr. Agarwals Eye Hospital Limited

June 13, 2019

Rating

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---------------------------|-----------------------|---------------------|---------------|
| Long-term Bank Facilities | - | - | Withdrawn |
| Total Facilities | - | | |

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has withdrawn the outstanding ratings of 'CARE BBB+; Stable' [Triple B Plus; Outlook: Stable] assigned to the bank facilities of Dr. Agarwal's Eye Hospital Limited (DAEHL) with immediate effect. The above action has been taken at the request of DAEHL and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

Detailed description of the key rating drivers:

At the time of last rating on December 04, 2018 following were the rating strengths and weaknesses (updated for the information available from BSE website):

Key Rating Strengths

Vast experience of the promoters in eye care services: DAEHL was promoted by Padma Bhushan late Dr J. Agarwal and his family members, who have been in the profession of providing eye care solutions for over five decades extending up to the third generation currently. His son, Dr Amar Agarwal, MBBS, MS, FRCS, FRC Ophth, the current Chairman and Managing Director, has over two decades of experience in the eye care sector. He handles the operations of the company on a day-to-day basis along with his wife, Dr Athiya Agarwal and his sons, Dr Adil Agarwal and Dr Anosh Agarwal.

Established brand presence and long-operational track record: DAEHL has established itself as one of the leading eye care hospital chains in the Tamil Nadu region. The main hospital of DAEHL was established in Chennai in 1976 and has a long operational track record.

Experienced team of Doctors aided by sophisticated technology providing advanced eye-care services: DAEHL has an experienced team of eye care specialists who are supported by state-of-art medical equipment. These ophthalmic specialists and surgeons are sourced from leading medical institutions and hospitals specialized in optometry. The company continuously upgrades its technology by adding latest medical equipment and introducing new treatment methodologies.

Key Rating Weaknesses

Geographically concentrated operations with modest growth in scale amidst stiff competition: Though the group has diversified presence in other southern states and in Africa, DAEHL continues to be a regional player with 21 out of its 22 branches located in Tamil Nadu region which contributed around 98% of the total income during FY18 (refers to the period April 01 to March 31) (99% during FY17) leading to concentration of revenues to this region.

Moderate Liquidity Position: The current ratio remains moderate at 0.84x as on March 31, 2019 as the company is operating with a negative operating cycle. The payment from patients is done on an immediate cash basis which contributes around 70% of the total income from services (includes surgeries, treatment and consultation), while the payment for patients coming under non-government and government schemes takes 35 days and 30 to 180 days respectively. The company enjoys a credit period of around 50 days from its suppliers. DAEHL's cash and bank balance was Rs.4.86 crore as on March 31, 2019.

Dependence on scarcely available medical professionals and growing competition in the industry: DAEHL is highly dependent on the scarcely available ophthalmologists. Given the constraints of individual practice and associated costs, the doctors are incentivized to be associated with the brand and work with the latest technology. However, given the increasing competition, greater penetration of single doctor clinics in tier-3 towns and semi urban areas, the scarcity of eye specialists and the ability of the company to retain its current pool would be a key differentiator. DAEHL also faces competition with respect to patient footfalls due to the presence of self-sustaining not-for-profit missionary institutions which are providing high quality ophthalmic care service to the impoverished people at affordable cost.

Analytical approach:

Not Applicable

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

Applicable Criteria:

[Policy on Withdrawal of ratings](#)

About the Company

Dr Agarwal's Eye Hospital Limited (DAEHL) is a super speciality eye hospital promoted by Padma Bhushan (Late) Dr Jaiveer Agarwal and his family members in the year 1994 to offer eye care solutions. Dr Agarwal's Health Care Limited (DAHCL) is the holding company of DAEHL and as on March 31, 2019 DAHCL holds 71.75% in DAEHL. DAEHL is primarily engaged in providing solutions for various eye related problems like cataract, owning and managing eye care hospitals, opticals and pharmacy.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A)* |
|------------------------------|----------|-----------|
| Total operating income | 154.18 | 172.03 |
| PBILDT | 24.58 | 30.92 |
| PAT | 6.78 | 11.92 |
| Overall gearing (times) | 0.58 | 0.65 |
| Interest coverage (times) | 8.55 | 11.98 |

A: Audited; *based on abridged results available in BSE

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating History for 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 | - | - | - | 0.00 | Withdrawn |
| Fund-based - LT-Cash Credit | - | - | - | 0.00 | Withdrawn |

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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Fund-based - LT-Term Loan | LT | - | - | - | 1)CARE BBB+; Stable (04-Dec-18) | 1)CARE BBB+; Stable (04-Sep-17) | 1)CARE BBB+ (02-Sep-16) |
| 2. | Fund-based - LT-Cash Credit | LT | - | - | - | 1)CARE BBB+; Stable (04-Dec-18) | 1)CARE BBB+; Stable (04-Sep-17) | 1)CARE BBB+ (02-Sep-16) |

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

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Name: Mr P. Sandeep

Tel: 044-2850 1000

Email: sandeep.prem@careratings.com

Business Development Contact

Name: Mr. V. Pradeep Kumar

Contact no.: 2850 1001

Email ID: pradeep.kumar@careratings.com

About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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