



SMERA RATINGS LIMITED

Shrisai Medicare Services Private Limited (SMSPL)

*Rating
Rationale***September 24, 2014**

| Facilities | Amount (Rs. Crore) | Rating |
|--------------|--------------------|----------------------------|
| Term Loan I | 5.38 | SMERA B-/Stable (Assigned) |
| Term Loan II | 0.70 | SMERA B-/Stable (Assigned) |

SMERA has assigned a rating of '**SMERA B-**' (read as **SMERA single B minus**) to the Rs.6.08 crore bank facilities of Shrisai Medicare Services Private Limited (SMSPL). The outlook is '**Stable**'. The rating is constrained by the company's nascent stage of operations in an intensely competitive healthcare industry. The rating is also constrained by the company's weak financial risk profile and high debt repayment obligation over the medium term. However, the rating derives comfort from the company's experienced management and favourable industry outlook.

SMSPL, incorporated in 2012, is engaged in running a 80-bed multispecialty hospital (named Pioneer Hospital) in Pune. SMSPL commenced commercial operations in August 2013. The company's hospital has an occupancy rate of ~40 per cent. SMSPL had availed long-term debt of Rs.6.08 crore for setting up the hospital. The company's weak financial risk profile is marked by negative net worth (on account of accumulated losses) as on March 31, 2014 and low interest coverage of 0.74 times in FY2013-14. SMSPL has a high debt repayment obligation of Rs.1.62 crore per annum over the medium term. SMSPL faces intense competition from several players in the healthcare industry.

SMSPL benefits from its experienced management. The promoters of the company have around 10 years of experience in the healthcare sector.

Rating sensitivity factors

Managing working capital requirements with increased scale owing to high share of revenues from third party agencies and corporate empanelments and profitability majorly due to professional fees (to directors) will be key rating sensitivities.

Outlook: Stable

SMERA believes SMSPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers more than targeted occupancy & better case mix while offering diversified services. The outlook may be revised to 'Negative' in case of deterioration in the company's debt protection metrics on account of low net cash accruals or higher-than-expected increase in debt-funded working capital requirements.

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Rationale***About the company**

SMSPL, incorporated in 2012, is a Pune-based company promoted by Dr. Samadhan Kshirsagar, Dr. Swanand Parve, Dr. P.M. Hatekar, Dr. Shrihari Dange, Dr. Tarachand Karale, Dr. Yogesh Shaha. SMSPL is engaged in running a 80-bed multispecialty hospital in Pune. The company commenced commercial operations in August, 2013. SMSPL's service mix includes OPD and IPD service for various department like: Medicine, Surgery, Orthopeadic, Peadiatric, Gynaecology, Opthamology, ENT, diagnostic, sonography, and laboratory services. The company reported net loss of Rs.0.72 crore on net revenue of Rs.2.25 crore in FY2013-14.

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