

Press Release

USM Healthcare

20 June, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.8.92 Cr
Long Term Rating	SMERA B/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B**' (read as SMERA B) on the above mentioned Rs.8.92 crore bank facilities of USM Healthcare (UHC). The outlook is '**Stable**'.

UHC, established in 2009, is a Bhopal-based firm promoted by Dr. Subodh Varshney, Mr. Upmanyu Trivedi and Mr. Rajiv Gupta. The firm runs Siddhanta Red Cross Super Speciality Hospital, a 59 bed super specialty hospital at Bhopal.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations: Dr. Subodh Varshney has more than a decades experience in the aforementioned industry.

Range of services: UHC runs a 59 bed super specialty hospital at Bhopal. The hospital provides healthcare services in the fields of diabetes, orthopaedics, cardiology, neurology, endocrinology, nephrology, urology among others. The facilities include pathology pharmacy, laboratory, blood bank among others.

Comfortable operating margins: The firm booked revenue of Rs.7.10 crore in FY2015-16. It registered Rs.5.52 crore of revenue in the first two quarters of FY2016-17 and expects Rs.13.00 crore in FY2016-17. UHC registered healthy operating margins of 11.93 percent in FY2015-16 and expects the same to increase in future.

Weaknesses:

Nascent stage of operations: UHC commenced commercial operations from May 2015. The hospital operated at 35 percent occupancy in the first year. Presently, the occupancy rate is 65 per cent.

Average financial risk profile: UHC has average financial risk profile marked by low net worth of Rs.2.58 crore as on 31 March 2016. The gearing stood at 2.67 times as on 31 March 2016 and interest coverage ratio stood at 1.06 times for FY2015-16. The firm has average DSCR of 1.06 times for FY2016.

Intense competition: The firm faces intense competition from other established hospitals in the locality.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the firm.

Applicable Criteria

- Service sector - <https://www.smerra.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that UHC will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates healthy cash flows from operations while registering higher-than-expected occupancy rate. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity

UHC, established in 2009, is a Bhopal-based company promoted by Dr. Subodh Varshney, Mr. Upmanyu Trivedi and Mr. Rajiv Gupta. The firm, in a joint venture with Indian Red Cross, Bhopal, runs multispecialty hospital - Siddhanta Red Cross Super Speciality Hospital at Bhopal with a capacity of 59 beds. The current occupancy level is 65 per cent. The hospital offers a range of facilities including pathology, pharmacy, blood bank, and neurosurgery. UHC commenced commercial operations in May, 2015.

For FY2015-16, the firm reported net loss of Rs.1.23 crore on operating income of Rs.7.10 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating
Term Loan	LT	08.92	SMERA B/Stable (Reaffirmed)	20 August, 2015	SMERA B (Assigned)	NA	NA

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	March, 2015	N.A	March, 2022	8.92	SMERA B/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Vishal Choudhary, Rating Analyst, Tel: 022 - 61031111 Email: vishal.choudhary@smera.in	

ABOUT SMERA

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