

Press Release

USM Healthcare

December 06, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 8.92 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Upgraded from ACUITE B/ Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE B**' (read as **ACUITE B**) on the Rs. 8.92 crore bank facilities of USM Healthcare. The outlook is '**Stable**'.

The rating revision is in view of robust improvement in revenue and profitability margins on year-on- year basis. The rating also draws comfort from the firm's financial risk profile, improving debt protection metrics and addition of new services such as dialysis center and ophthalmology center. Acuité believes that the firm will sustain its existing business profile owing to extensive experience of the promoters.

The Bhopal based, USM Healthcare (USM) was established in 2014 as a partnership firm by Dr. Subodh Varshney, Mr. Upmanyu Trivedi and Mr. Rajiv Gupta. The firm is engaged in running super specialty hospital i.e. Siddhanta Red Cross Hospital of 52 beds. The Hospital provides super specialty facilities such as Transplant Surgeries, Cardiology and cardiac Surgery, Neurology and Critical Care.

Analytical Approach

Acuité has taken a standalone view of the financial and business risk profile of USM to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced promoters

The Promoters, Dr. Subodh Varshney, Mr. Upmanyu Trivedi and Mr. Rajiv Gupta possess experience of more than two decades in managing businesses. Acuité believes that extensive experience of promoters' will help USM to maintain its business risk profile.

• Improvement in revenue along with profitability margins

USM's revenue has grown at a CAGR of ~66 percent from FY2016 to FY2018. The firm has achieved revenue of Rs.19.67 crore in FY2018 as against Rs.13.46 crore in the previous year. The growth in revenues is on the account of increasing occupancy levels in 2018 over 2017. The occupancy level stood at 90 percent in 2018 as against 65 percent in 2017. Further, the net margins increased to 5.18 percent for FY2018 as against 0.60 percent for FY2017.

• Moderate financial risk profile

The financial risk profile is moderate marked by tangible net worth of Rs.3.78 crore as on 31 March, 2018 as against Rs.2.97 crore in the previous year. The gearing stood at 1.75 times as on 31 March, 2018 as against 2.65 times in the previous year. The total debt of Rs.6.61 crore includes term loan from bank of Rs.6.56 crore and unsecured loan of Rs.0.05 crore. The debt protection metrics has also improved marked by Interest Coverage Ratio (ICR) at 3.90 times in FY2018 as against 2.75 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) reduced to 2.57 times as on 31 March, 2018 from 3.61 times in the previous year.

Going forward, Acuité expects the firm to improve its financial risk profile in medium term in the absence of major debt funded capex plan.

Weaknesses

• Competitive industry

The hospital faces intense competition from several players in the vicinity including Citi Hospital, Akshaya Heart and Multi Speciality hospitals among others apart from large players such as Apollo Hospital.

Outlook: Stable

Acuite believes that the outlook on the rated facilities of USM will remain 'Stable' over the medium term on account of its experienced management, robust growth in profitability margins and moderate financial risk profile. The outlook may be revised to 'Positive' if the hospital achieves higher than expected growth in revenues. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.67	13.46	7.10
EBITDA	Rs. Cr.	3.01	2.21	0.85
PAT	Rs. Cr.	1.02	0.08	-1.23
EBITDA Margin	(%)	15.28	16.43	11.93
PAT Margin	(%)	5.18	0.60	-17.25
ROCE	(%)	16.88	8.82	-4.32
Total Debt/Tangible Net Worth	Times	1.75	2.65	2.67
PBDIT/Interest	Times	3.90	2.75	1.06
Total Debt/PBDIT	Times	2.19	3.51	7.83
Gross Current Assets (Days)	Days	66	81	76

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Feb-2018	Term Loan	Long Term	INR 8.92	ACUITE B (Indicative)
20-Jun-2017	Term Loan	Long Term	INR 8.92	ACUITE B / Stable (Reaffirmed)
20-Aug-2015	Term Loan	Long Term	INR 8.92	ACUITE B / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	6.65	ACUITE BB / Stable (Upgraded from ACUITE B)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.27	ACUITE BB / Stable (Upgraded from ACUITE B)

Contacts

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About Acuité Ratings & Research:

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