



**Press Release**  
**USM Healthcare**  
**November 16, 2023**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.50	ACUITE BB   Stable   Assigned	-
Bank Loan Ratings	8.92	ACUITE BB   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	10.42	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 8.92 Cr and has assigned the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 1.50 Cr bank facilities of USM Healthcare (USM). The outlook is '**Stable**'.

**Rationale for rating reaffirmation**

The rating reaffirmation takes into account the improvement in aggregate revenue to Rs. 42.97 Cr in FY2023 as against Rs. 42.08 Cr in FY2022. The growth is due to increased volume of in-patient services & increased volume for out-patient services. Further, the rating also takes into consideration improved operating margins of 15.36% in FY2023 as against 15.18% in FY2022. The rating also factors the experienced team of doctor, moderate financial risk profile and the overall adequate liquidity of the firm. However, the rating remains constrained due to modest scale of operations marked by low net worth due to increased withdrawals by partners and high dependence on Government companies and departments to generate revenues.

**About the Company**

Bhopal based, USM Healthcare 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 hospital i.e. Siddhanta Red Cross Hospital with 62 beds. The Hospital specializes in providing surgical facilities in the area of Gastro, Cardiac and Urology. In addition the hospital provides Neurology, Oncology and critical care facilities.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

**Experience of promoters and strong team of doctors:**

The Promoters, Dr. Subodh Varshney, Mr. Upmanyu Trivedi and Mr. Rajiv Gupta possess experience of more than two decades in managing businesses. Further, the hospital

specializes in Gastro Surgeries headed by Subodh Varshney, Cardiac Surgeries headed by Sumit Bhatnagar and Uro Surgeries headed by Nivesh Sehra. Dr. Subodh Varshney and Dr.

Nivesh Sehra have been a part of Bhopal memorial and have an experience of over 20 years. Acuité believes that promoters' business experience and experienced team of doctors will enable the hospital to strengthen its business profile.

### **Improvement in revenue along with improvement in margins:**

USM's revenue increased to Rs. 42.97 Cr in FY2023 as against Rs. 42.08 Cr in FY2022. The growth is due to high volume of in-patient services & increased volume for out-patient services. The out-patient volumes increased from 27946 in FY2022 to 30677 in FY2023. Further, the in-patient volumes stood at 6260 in FY2023 as against 6413 in FY2022, outpatient revenue accounts for 7-8 percent of the aggregate revenue. The firm derives its income through insurance and majorly through providing medical services to Government employees. The firm earns 63 percent of its revenue through Government departments clients and corporate clients including BHEL, MP Police, Central Government health scheme, Ex-service contributory health scheme, Ayushman Bharat Yojana. The firm has already achieved Rs.26.23 Cr till October 2023 and has target of achieving around ~Rs.44.50 Cr for FY2024. Further, the operating margins of the firm improved to 15.36% in FY2023 as against 15.18% in FY2022. However, the PAT margins stood at 11.03% in FY2023 as against 11.18% in FY2022.

Acuité believes that the financial risk profile will continue to remain moderate on account of profitability.

### **Moderate Financial Risk Profile**

The financial risk profile of the firm stood moderate marked by moderate net worth, gearing and debt protection metrics. The tangible net worth stood at Rs.8.45 crore as on 31 March, 2023 as against Rs.8.46 crore as on 31 March, 2022. The firm generated net profit of Rs.4.74 Cr in FY2023, however, due to capital withdrawal of Rs.5.87 Cr during the year, net-worth remained on similar levels as FY2022. The total debt of the firm stood at Rs.12.17 crore includes Rs.2.06 crore of long-term debt, Rs.9.62 crore of short-term debt, Rs.0.50 crore of unsecured loans as on 31 March 2023. The gearing (debt-equity) stood at 1.44 times as on 31 March, 2023 as compared to 1.07 times as on 31 March, 2022. Interest Coverage Ratio stood at 6.90 times for FY2023 as against 10.45 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 6.90 times in FY2023 as against 6.24 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.34 times as on 31 March, 2023 as against 1.64 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.47 times for FY2023 as against 0.65 times for FY2022.

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**

#### **Intensive Working Capital Management**

The operations of the firm are working capital intensive marked by GCA days of 169 days for FY2023 as against 109 days for FY2022. The GCA days are reflected by high receivable days. Majority of the payment that is stuck is from the government department. The debtor days are at 135 days for FY2023 as against 50 days for FY2022. The inventory levels stood at 13 days in FY2023 as against 15 days in FY2022. The creditor days of the firm stood at 226 days for FY2023 as against 144 days for FY2022. However, the average utilization of the fund-based facilities stood at ~94% for last 08 months ended August 2023.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term.

### **Instances of capital withdrawal**

The firm is susceptible to the inherent risk of capital withdrawal given its constitution. There have been multiple instances of withdrawals by way of drawings from the firm. The partners have withdrawn Rs.5.87 Cr in FY2023 and Rs.5.65 Cr in FY2022. Any further significant withdrawal of the partner's capital will have a negative bearing on the financial risk profile of the firm.

### **Competitive Industry**

The hospital faces intense competition from several players in the vicinity including Wockhardt Hospitals Limited, Dr. Namjoshi Hospital Private Limited and Multi-Speciality hospital among others.

## Rating Sensitivities

- Sustained improvement in revenue while maintaining profitability.
- Increased withdrawals of retained earnings by partners through remuneration or drawings, thereby adversely impacting the financial and liquidity profile of the firm.

## All Covenants

Not Available

## Liquidity Position

### Adequate

The overall liquidity of the firm has remained adequate. USM has net cash accruals (NCA) of Rs. 5.47-5.80 Cr through FY2020-22 against repayment obligation of Rs. 0.56-0.42. Going forward, the NCA is expected to be in the range of Rs.6.90-7.59 Cr in FY2023 and FY2024 against repayments of 0.47 and 0.11. The average utilization of the fund-based facilities stood at ~94% for last 08 months ended August 2023. However, the firm has unencumbered cash and bank balance of Rs. 3.23 Cr as on March 31, 2022 (Provisional). The current ratio of the firm declined to 0.94 times in FY2022 (Provisional) against 1.75 times in FY2021.

## Outlook: Stable

Acuité believes that the outlook on the rated facilities of USM will remain 'Stable' over the medium term on account of its experienced management, stable profitability margins and adequate liquidity. The outlook may be revised to 'Positive' if the hospital achieves higher than expected growth in revenues and improved financial risk profile marked by low dependence on short term borrowings. Conversely, the outlook maybe revised to 'Negative' in case of decline in profitability or deterioration in the financial risk profile.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	42.97	42.08
PAT	Rs. Cr.	4.74	4.70
PAT Margin	(%)	11.03	11.18
Total Debt/Tangible Net Worth	Times	1.44	1.07
PBDIT/Interest	Times	6.90	10.45

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Aug 2022	Proposed Bank Facility	Long Term	0.01	ACUITE BB   Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	0.14	ACUITE BB   Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	0.77	ACUITE BB   Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	8.00	ACUITE BB   Stable (Upgraded from ACUITE B+)
20 May 2021	Term Loan	Long Term	2.27	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	6.65	ACUITE B+ (Downgraded and Issuer not co-operating*)
25 Feb 2020	Term Loan	Long Term	6.65	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.27	ACUITE BB- (Downgraded and Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.59	ACUITE BB   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.41	ACUITE BB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.09	ACUITE BB   Stable   Assigned
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.29	ACUITE BB   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.04	ACUITE BB   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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