



Press Release
USM HEALTHCARE
February 10, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.42	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.42	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE BB'** (read as **ACUITE double Bo**) on the Rs. 10.42 Cr. bank facilities of USM Healthcare (USM). The outlook is **'Stable'**.

Rationale for reaffirmation

The rating reaffirmation takes into account the moderate financial risk profile, adequate liquidity position and presence of experienced team of professionals at USM. The profitability margins, though moderated, continue to remain at comfortable levels. However, the rating is constrained by the stagnant revenue, limited scope for expansion and working capital intensive operations of the firm.

About the Company

USM Healthcare (USM) is a partnership firm established in February 2015. The firm is provider of health care services, running a super specialty hospital with 62 beds in Bhopal under the name of 'Siddhanta Red Cross Super-Specialty Hospital' since 2015. The hospital offers clinical services, laboratory services, diagnostic services and support services like physiotherapy facilities and ambulance services. The operations of the hospital are managed by Dr. Subodh Varshney, Partner.

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

Long track record of operations supported by experienced team of professionals:

The hospital specializes in gastro, cardiology and urology supported by team of professional doctors and medical team. The managing partner, Dr. Subodh Varshney has also been a part of Bhopal memorial and has an experience of over 20 years. The promoters' business experience and experienced team of doctors has strengthened the business profile of the hospital and as a result the average occupancy rate of hospital stands at 90 - 95 percent.

Moderate Financial Risk Profile

The financial risk profile of the firm is moderate indicated by low networth, moderate gearing and comfortable debt protection indicators. The networth stood at Rs. 9.60 Cr. as on March 31, 2024 as against Rs. 8.45 Cr. as on March 31, 2023. Further, the gearing reduced to 1.27 times as on March 31, 2024 as against 1.44 times as on March 31, 2023 due to the scheduled repayment of debt. The Debt-EBITDA levels stood increased at 2.15 times as on March 31, 2024 as against 1.81 times as on March 31, 2023 on account of decline in the absolute levels of operating profits.

Moreover, the interest coverage ratio & debt service coverage ratio stood comfortable at 5.83 times and 3.13 times for FY24 respectively as against 6.90 times and 4.20 times for FY23.

Acuite believes that financial risk profile of the firm is expected to remain moderate in absence of any major debt funded capex.

Weaknesses

Stagnant revenue and declining profitability margins

The revenue of the hospital remained modest at Rs. 43.11 Cr. in FY24 as against Rs. 42.97 Cr. in FY23. Majority of the revenue of the firm is generated through providing services to government employees. The EBITDA margin of the firm declined but remained comfortable at 12.83 percent in FY24 from 15.36 percent in FY23, majorly on account of increase in consumables cost. The firm has generated a revenue of Rs. 29.17 Cr. till December 17, 2024, with EBITDA margin of 10.91 percent.

In absence of any expansion plans for capacity addition, the revenue of the firm is expected to remain on similar levels in the medium term.

Intensive working capital operations

The working capital operations of the firm is highly intensive with gross current asset (GCA) of 194 days as on March 31, 2024 as against 169 days on March 31, 2023 which are mainly attributable to high debtor days of 132 days as on March 31, 2024 as against 135 days as on March 31, 2023. The firm mainly caters to various government departments and companies, where the receipt time varies from 3 months to 1 year. Because of this, the firm is highly reliant on their bank limits to fulfil their working capital requirements. The inventory days stood at 11 days on March 31, 2024 as against 13 days on March 31, 2023. The average bank limit utilisation stood at 97.88 percent for seven months ended December 2024.

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 a sum of Rs. 3.68 Cr. in FY24 and Rs. 5.87 Cr. in FY23. Any further significant withdrawal of the partner's capital may have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Restriction on further elongation in the working capital cycle
- Deterioration in the financial risk profile and liquidity of the firm due to excessive withdrawal of funds by the partners
- Significant improvement in revenue and profitability

Liquidity Position

Adequate

The firm generated adequate Net Cash Accruals (NCAs) of Rs. 4.69 Cr. in FY24 as against repayment of Rs. 0.84 Cr. for the same period. Going forward, the NCAs are expected to be in the range of Rs. 4.0-4.5 Cr. for FY25 and FY26 with repayment obligations in the range of Rs. 0.50-0.12 Cr. for the same period. Further, the firm had an unencumbered cash and bank balance of Rs. 3.01 Cr. as on March 31, 2024. The current ratio stood at 1.21 times as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	43.11	42.97
PAT	Rs. Cr.	3.76	4.74
PAT Margin	(%)	8.73	11.03
Total Debt/Tangible Net Worth	Times	1.27	1.44
PBDIT/Interest	Times	5.83	6.90

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Nov 2023	Term Loan	Long Term	0.29	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	0.04	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	8.59	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	1.41	ACUITE BB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.09	ACUITE BB Stable (Assigned)
18 Aug 2022	Term Loan	Long Term	0.77	ACUITE BB Stable (Upgraded from ACUITE B+)
	Proposed Long Term 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+)
	Cash Credit	Long Term	8.00	ACUITE BB Stable (Upgraded from ACUITE B+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.59	Simple	ACUITE BB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.41	Simple	ACUITE BB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.38	Simple	ACUITE BB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	07 Aug 2022	Not avl. / Not appl.	07 Sep 2026	0.04	Simple	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

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