

February 29, 2016

Facilities	Amount (Rs. Crore)	Rating
Term Loan I	1.57	SMERA B+/Stable (Assigned)
Term Loan II	3.03	SMERA B+/Stable (Assigned)
Term Loan III	1.77	SMERA B+/Stable (Assigned)
Term Loan IV	3.93	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (**read as SMERA B plus**) to the above mentioned bank facilities of KMC Speciality Hospitals India Limited (KMC). The outlook is '**Stable**'. The rating is constrained by the low net worth base, average financial risk profile and moderate occupancy level. The rating is also constrained by the high value corporate guarantee extended to its holding company. Further, the rating also factors in the stiff competition in the healthcare sector. However, the rating is supported by the experienced management and improved revenues.

Rating Sensitivity Factors

- Improvement in profitability
- Improvement in coverage indicators
- Deterioration in the capital structure
- Corporate guarantee extended to holding company

Outlook: Stable

SMERA believes KMC will maintain a Stable profile over medium term on the back of its experienced management. The outlook may be revised to Positive in case the company registers more than expected growth in revenues while achieving improvement in profitability and coverage indicators. Conversely the outlook may be revised to negative in case of high working capital requirements or debt funded capex affecting capital structure or increasing the pressure on margins.

About the Company

KMC, established in 1982 is a part of the Kauvery Group of Hospitals based at Tiruchirappalli (Trichy). The company runs a 220 bed super specialty 'Kauvery Hospital'.

For FY2014-15, KMC reported profit after tax (PAT) of Rs. 0.12 crore on operating income of Rs.36.30 crore as against PAT of Rs. (0.30) crore on operating income of Rs.34.93 crore in FY2013-14. The tangible net worth stood at Rs.10.15 crore as against Rs.10.06 crore in the previous year.

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