

## Press Release

### KMC Speciality Hospitals India Limited

March 19, 2021

#### Rating Update



<b>Total Bank Facilities Rated*</b>	Rs. 11.47 Cr.
<b>Long Term Rating</b>	ACUITE BBB (Withdrawn)

\* Refer Annexure for details

#### Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs. 11.47 cr. bank facilities of KMC Speciality Hospitals India Limited (KMCL).

The rating withdrawal is on account of request received from the company and NOC received from the banker in accordance with Acuite's policy on withdrawal of rating.

#### About the company

KMC Specialty Hospitals India Limited (KMCL), established in 1982, is a part of the Kauvery Group of Hospitals based at Tiruchirappalli (Trichy). The company runs Kauvery Hospital, a 220 bed super specialty hospital that offers services in neurology, obstetrics & gynecology, pediatrics, cardiology, ENT, dental, joint replacement among others. Further, during FY2018, the company also started liver transplantation services in the hospital. Kauvery group of hospitals is one of the reputed hospital chain with about 1200 beds across Tamil Nadu. KMC is a publicly listed company with Bombay Stock Exchange.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the KMC Speciality Hospitals India Limited to arrive at this rating.

#### Key Rating Drivers

##### Strengths

##### • Experienced management and establish presence

KMCL, incorporated in 1982 is promoted by Dr. S Chandrakumar (Managing Director) who possesses over two decades of experience in managing multi-specialty hospitals. He is joined by Dr. S Manivannan (Joint Managing Director), who is a senior consultant anesthesiologist with over two decades of experience. The hospital has about 20 active doctors supported by nursing staff and others of 660. The hospital specializes in pediatrics and neurology. Over the period, with healthy consultants and Doctors, the occupancy levels stood comfortable around 70 to 75 percent for the last three years through FY2020. The same has resulted in growth in revenues at a CAGR of about 25 percent from Rs.42.57 crore in FY2016 to Rs.96.18 crore in FY2020. For the 9MFY2020 (April-December), the company reported revenues of Rs. 72.70 crore. Acuite believes that KMC's will be benefited over the medium term supported by the increasing in average revenue per occupied bed, vintage Doctor team and brand name.

##### • Comfortable financial risk profile

The Financial risk profile of the company is comfortable marked by low gearing (debt to equity ratio) and total outside liabilities to total net worth (TOL/TNW), healthy debt protection metrics and comfortable debt service coverage ratio (DSCR). The net worth stood at Rs.50.04 crore as on March 31, 2020 which was significantly higher than Rs. 38.49 crores as on March 31, 2019. The gearing stood at 0.17 times as on March 31, 2020 as compared to 0.27 times as on March 31, 2019. The interest coverage ratio stood at 20.02 times which increased significantly in FY2020 as compared to FY2019 which was 12.79 times. The DSCR stood at 4.70 times in FY2020 is significantly higher than FY2019 which was 3.00 times. TOL/TNW is low at 0.31 times as on 31 March, 2020 as against 0.45 times as on 31 March, 2019.

## Weaknesses

- **Moderate scale within the industry, geographical concentration risk and intense competition**

KMC operates only one hospital with 220 beds; the same are modest within the industry dominated by large players like Apollo Hospitals, CARE Hospitals among others. Further, KMC's entire revenues are skewed from a single location property. Any unforeseen eventuality will impact the entire business and financial risk profile of the company. Though KMC has a brand 'Kauvery' in the State of Tamil Nadu with a chain of hospitals with aggregate bed capacity of about 1200, however KMC Hospital at Trichy remain under pressure and faces competition from other leading hospitals in the vicinity as reflected in volatile operating margins.

- **Project execution risk**

The company has proposed a new project to setup a Mother and Child Health Care hospital which is under construction. However it was delayed due to Covid for a period of 6 months due to lockdown and now it is expected to be completed by April 2023. The cost of the project is around Rs. 75 to 80 crores of which Rs.50 - 60 crores will be provided by the bank and the balance Rs. 25.00 crores will be funded through internal accruals and promoters.

## Liquidity position: Strong

KMC has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.10.52 to 16.69 crore during the last three years through FY2020. The company's working capital is efficiently managed as marked by gross current asset (GCA) days of 45 in FY 2020. This has led to lower reliance on working capital borrowings. The company maintained bank deposits and unencumbered cash and bank balances of Rs.1.12 crore as on March 31, 2020. The current ratio of the company stands moderate at 1.36 times as on March 31, 2020. Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accrual and no major repayments over the medium term.

## Rating Sensitivities

- Improvement in scale of operations and profitability
- Gearing is expected to be moderate on account of new project

## Material Covenants

None

## Outlook:

Not Applicable

## About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	96.18	83.09
PAT	Rs. Cr.	11.74	8.61
PAT Margin	(%)	12.21	10.36
Total Debt/Tangible Net Worth	Times	0.17	0.27
PBDIT/Interest	Times	20.02	12.79

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

None

## Any other information

None

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
26-Dec-2019	Term Loan	Long Term	2.90	ACUITE BBB (Withdrawn)
	Cash Credit	Long Term	1.00	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long Term	4.62	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long Term	2.95	ACUITE BBB/Stable (Upgraded)
	Proposed bank Facility	Long Term	2.90	ACUITE BBB/ Stable (Assigned)
28-Sept-2018	Term Loan	Long Term	0.04	ACUITE BBB-/Stable (Upgraded)
	Cash Credit	Long Term	1.00	ACUITE BBB-/Stable (Upgraded)
	Term Loan	Long Term	0.83	ACUITE BBB-/Stable (Upgraded)
	Term Loan	Long Term	2.03	ACUITE BBB-/Stable (Upgraded)
	Term Loan	Long Term	4.62	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	2.95	ACUITE BBB-/ Stable (Assigned)
23-Sept-2017	Term Loan	Long Term	1.92	ACUITE BB/Stable (Upgraded)
	Cash Credit	Long Term	1.00	ACUITE BB/ Stable (Assigned)
	Term Loan	Long Term	3.08	ACUITE BB/Stable (Upgraded)
	Term Loan	Long Term	1.66	ACUITE BB/Stable (Upgraded)
	Term Loan	Long Term	3.81	ACUITE BB/Stable (Upgraded)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB (Withdrawn)
Term loans	26-12-2017	Not Available	05-06-2024	2.95	ACUITE BBB (Withdrawn)
Term loans	09-10-2017	Not Available	08-10-2024	4.62	ACUITE BBB (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.90	ACUITE BBB (Withdrawn)

## Contacts

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### About Acuité Ratings & Research:

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