

Press Release

Friends Unity Hospital & Research Centre Private Limited(FUH)

03 May, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 24.00Cr.
Long Term Rating	SMERA B-/ Outlook: Negative (from SMERA B(Indicative))

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term rating to **SMERA B- (read as SMERA B minus)** to the Rs. 24.00 crore bank facilities of Friends Unity Hospital & Research Centre Private Limited (FUH). The outlook has been revised to '**Negative**'.

Friends Unity Hospital & Research Centre Private Limited was incorporated in October 2010 by Dr. Manoj Kumar Sharma, Dr. Shukun Sharma and Mr. Surendra Kumar Soni among others. The company is engaged in managing Apple Hospital, a 200 bedded multi-speciality hospital located in Indore with a team of qualified doctors. In addition to this, the hospital also provides 24 hrs pharmacy including home delivery and ambulance service.

The rating has been downgraded on account of insufficient cash accruals as against the long term debt obligations.

Key Rating Drivers

Strengths

- **Experienced and Qualified Management**

The hospital was promoted by a group of 29 doctors including Dr. Manoj Kumar Sharma (Cardiologist), Dr. Shukun Sharma and Mr. Surendra Kumar Soni, who have around three decades of experience in medical field.

Weaknesses

- **Competitive and fragmented nature of business**

The company operates in hospital business, the hospital business marked by the presence of several established players in Indore like Fortis Healthcare, The Apollo Hospitals, Metro Group of Hospitals. Therefore company faces intense competition from such players.

- **Weak Financial risk profile**

The weak financial risk profile is marked by low net worth of Rs.9.78 crore in FY2017, a decline from Rs.10.72 crore in FY2016, mainly on account of loss in FY2017. The debt to equity stood high at 3.33 times in FY2017 as against 3.31 times in FY2016, due to reduction in the net worth levels. The debt to equity levels have also deteriorated due to increase in unsecured loan levels in FY'17 as compared to the previous year. The interest coverage ratio stood low at 0.65 times in FY2017 as against 0.08 times in FY2016. The NCA/TD stood at 0.00 times in FY2017 and DSCR stood at 0.59 times in FY2017 as against 0.30 times in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the

rating.

Outlook: Negative

SMERA believes that the outlook of FUH will remain Negative over the medium term owing to weak liquidity. The rating may be downgraded in case of further decline in revenue and financial risk profile. Conversely, the outlook may be revised to 'Stable' in case the entity registers growth in revenues along with improvement in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.94	13.64	NA
EBITDA	Rs. Cr.	1.80	(0.22)	NA
PAT	Rs. Cr.	(2.87)	(2.90)	NA
EBITDA Margin	(%)	7.51	(1.62)	NA
PAT Margin	(%)	(12.01)	(21.26)	NA
ROCE	(%)	(2.03)	(4.28)	NA
Total Debt/Tangible Net Worth	Times	3.33	3.31	NA
PBDIT/Interest	Times	0.65	0.08	NA
Total Debt/PBDIT	Times	15.19	192.95	NA
Gross Current Assets (Days)	Days	26	38	NA

Any other information

SMERA is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.htm>
- Services Sector : <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments-<https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years):

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22nd Jan 18	Cash Credit	Long Term	1.50	SMERA B(Indicative)
	Term Loan	Long Term	20.40	SMERA B(Indicative)
	Term Loan	Long Term	2.10	SMERA B(Indicative)
10th Dec 16	Cash Credit	Long Term	1.50	SMERA B+/Stable (Assigned)
	Term Loan	Long Term	20.40	SMERA B+/Stable (Assigned)
	Term Loan	Long Term	2.10	SMERA B+/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	CouponRate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B/Negative (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	17.50	SMERA B/Negative (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B/Negative (Downgraded)
Proposed	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B/Negative (Downgraded)

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ABOUT SMERA

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