

Press Release

Friends Unity Hospital & Research Centre Private Limited

July 11, 2019



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 24.00 crore
Long Term Rating	ACUITE B-/ Outlook: Negative

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B-**' (read as **ACUITE B minus**) on Rs. 24.00 crore bank facilities of Friends Unity Hospital & Research Centre Private Limited (FUH). The outlook is '**Negative**'.

Friends Unity Hospital & Research Centre Private Limited was incorporated in October 2010 by the 29 promoters, including Dr. Manoj Kumar Sharma, Dr. Shuken Sharma and Mr. Surendra Kumar Soni, is engaged in running and managing Apple Hospital, a 200 bedded multi-speciality hospital with the various departments and qualified doctors. They are also managing Nursing homes and personal clinics. In addition to this, the hospital also provides 24 hrs pharmacy including home delivery and ambulance service.

Analytical Approach

Acuite has considered standalone business and financial risk profile of FUH to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced and Qualified Management

The hospital was promoted by the group of 29 doctors including Dr. Manoj Kumar Sharma (Cardiologist), Dr. Shuken Sharma and Mr. Surendra Kumar Soni, have around three decades of experience in medical field and also engage in running their own clinics. Also, the FUH enjoys ongoing support in the form of doctor visits and availability, marketing collaboration and technical support.

Weaknesses

• Modest scale of operations

FUH has a limited track of operation marked by commencement operation date of July 2015 and has small scale of operation of Rs. 28.96 crore in FY2018 as against Rs. 23.94 crore in FY2017. The net loss stood at Rs. 2.75 crore in FY2018 as against loss of Rs. 2.87 crore in FY2017. The company has recorded revenue of Rs. 29.68 crore in FY2019 (P).

• Weak Financial risk profile

The weak financial risk profile is marked by modest net worth of Rs. 12.14 crore in FY2018, a decline from Rs. 14.58 crore in FY2017, mainly on account of loss in FY2018. The tangible net worth includes unsecured loans of Rs. 5.10 crore in FY2018 as compared to Rs. 4.80 crore in FY2017 which has been subordinated to the bank and the same has been treated as quasi equity. The debt equity stood high at 1.99 times in FY2018 as against 1.90 times in FY2017, due to fall in the net worth. This is also due to the loss and increase in short term debt. The TOL/TNW stood at 2.88 times as on March 31, 2018 as compared to 2.35 times as on March 31, 2017. The total debt of Rs. 24.22 as on March 31, 2018 comprises of long term debt of Rs. 22.04, short term debt of Rs. 2.18 crore. The Interest

coverage ratio stood low at 1.00 times in FY2018 as against 0.65 times in FY2017. The DSCR stood low at 0.41 times as on March 31, 2018 as compared to 0.54 as on March 31, 2017.

• Competitive and fragmented nature of business

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

Liquidity Position

FUH's liquidity profile is stretched marked by low net cash accruals as against its maturing debt obligations. The firm generated cash accruals of Rs.(0.96)-0.37 crore during the last three years through 2016-18, while its maturing debt obligations were in the range of Rs. 3.10-3.16 crore over the same period. The bank limit in the company remains fully utilized in the last 6 months ended June 30, 2019. The company maintains unencumbered cash and bank balances of Rs.0.11 crore as on March 31, 2018. The current ratio of the company stood low at 0.28 times as on March 31st 2018. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of modest cash accrual and as against its long term debt repayments over the medium term. However, Acuite believes the management will infuse further unsecured loans in order to meet its long term debt obligation.

Outlook: Stable

Acuite believes that the outlook on BIC will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case of an improvement in the firm's scale of operations and effective working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenues and profitability of the firm.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	28.96	23.94	13.64
EBITDA	Rs. Cr.	1.82	1.80	(0.22)
PAT	Rs. Cr.	(2.75)	(2.87)	(2.90)
EBITDA Margin	(%)	6.28	7.51	(1.62)
PAT Margin	(%)	(9.48)	(12.01)	(21.26)
ROCE	(%)	(2.31)	(2.03)	(7.82)
Total Debt/Tangible Net Worth	Times	1.99	1.90	2.05
PBDIT/Interest	Times	1.00	0.65	0.08
Total Debt/PBDIT	Times	10.68	12.95	168.82
Gross Current Assets (Days)	Days	25	26	38

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-19.htm>
- Services Sector : <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-May-2018	Cash credit	Long Term	1.50	ACUITE B-/ Negative (Downgraded and outlook revised from ACUITE B(Indicative))
	Term Loan	Long Term	17.50	ACUITE B-/ Negative (Downgraded and outlook revised from ACUITE B(Indicative))
	Term Loan	Long Term	1.00	ACUITE B-/ Negative (Downgraded and outlook revised from ACUITE B(Indicative))
	Proposed	Long Term	4.00	ACUITE B-/ Negative (Downgraded and outlook revised from ACUITE B(Indicative))
22-Jan-2018	Cash credit	Long Term	5.00	ACUITE B (Downgraded and Indicative)
	Term Loan	Long Term	20.40	ACUITE B (Downgraded and Indicative)
	Term Loan	Long Term	2.10	ACUITE B (Downgraded and Indicative)
02-Nov-2016	Cash credit	Long Term	5.00	ACUITE B+/Stable (Assigned)
	Term Loan	Long Term	20.40	ACUITE B+/Stable (Assigned)
	Term Loan	Long Term	2.10	ACUITE B+/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B-/ Negative (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE B-/ Negative (Reaffirmed)

Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B-/ Negative (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B-/ Negative (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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