

Press Release

Friends Unity Hospital & Research Centre Private Limited

October 07, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Indore based, Friends Unity Hospital & Research Centre Private Limited (FUHRC) was incorporated in October 2010. The operations commenced in July 2015. FUHRC is engaged in running and managing Apple Hospital; a 200 bedded multi-specialty hospital with various departments and qualified doctors. The hospital is also managing nursing homes and personal clinics.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of FUHRC to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

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

Acuité believes that FUHRC will sustain its existing business profile on the back of experienced management.

Weaknesses

- **Declining net worth due to accumulated losses**

The company has recorded a decline in net worth over the past three years through FY2018; from Rs.12.14 crore in FY2018 to Rs.9.74 crore (Prov) in FY2020. This is on account of accumulated losses leading to reserves of Rs. (10.34) crore (Prov) in FY2020 as compared to Rs.(7.86) crore in FY2019. As a result, FUHRC may be required to infuse capital in the near to medium term.

- **Weak financial risk profile**

The company has weak financial risk profile marked by modest net worth, high gearing and below-average debt protection metrics. The net worth stood at Rs.9.74 crore (Prov) as on 31 March, 2020 as against Rs.9.53 crore on 31 March, 2019.

The company has followed an aggressive financial policy in the past; the same is reflected through its gearing levels of 2.37 times as on March 31, 2019. The gearing improved to 2.23 times (Prov) as on March 31, 2020 on account of reduction in long term debt. Total outside liabilities to tangible net worth (TOL/TNW) stood at 3.95 times (Prov) as on 31 March 2020 as against 4.17 times as on 31 March 2019.

The company, on the other hand, generated cash accruals of Rs.0.17 crore (Prov) in FY2020 as against Rs.0.22 crore in FY2019. The NCA/TD and interest coverage ratio for FY2020 was moderate at 0.01 times (Prov) and 1.95 times (Prov) respectively.

Acuité believes that the financial risk profile of the company is likely to remain weak over the medium term, on account of high gearing and below-average debt protection metrics.

Rating Sensitivities

- Infusion of capital to combat declining net worth
- Improvement in the profitability thereby improving the overall financial risk profile

Material Covenants

None

Liquidity position: Poor

FUHRC has poor liquidity marked by inadequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.17 crore (Prov) for FY2020, with debt repayment obligations of Rs.0.84 crore (Prov) for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.0.58 crore to Rs.1.63 crore during FY2021-23 against debt repayment obligations of Rs.1.04 crore every year in the same period. The company's working capital operations are efficient, marked by GCA of 60 days (Prov) for FY2020. The current ratio stood low at 0.42 times (Prov) as on 31 March, 2020. Acuité believes that the liquidity of the company is likely to remain poor over the medium term on account of inadequate cash accruals against its debt repayments over the medium term.

Outlook: Negative

Acuité believes that the outlook of FUHRC 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	35.91	29.52
PAT	Rs. Cr.	0.17	(2.70)
PAT Margin	(%)	0.46	(9.13)
Total Debt/Tangible Net Worth	Times	2.23	2.37
PBDIT/Interest	Times	1.05	0.79

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>
- 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
11-Jul-2019	Cash Credit	Long term	1.50	ACUITE B-/Negative (Reaffirmed)
	Term Loans	Long term	17.50	ACUITE B-/Negative (Reaffirmed)
	Term Loans	Long term	1.00	ACUITE B-/Negative (Reaffirmed)

	Proposed Bank Facility	Long term	4.00	ACUITE B-/Negative (Reaffirmed)
03-May-2018	Cash Credit	Long term	1.50	ACUITE B-/Negative (Downgraded and Outlook Revised)
	Term Loan	Long term	17.50	ACUITE B-/Negative (Downgraded and Outlook Revised)
	Term Loans	Long term	1.00	ACUITE B-/Negative (Downgraded and Outlook Revised)
	Proposed Bank Facility	Long term	4.00	ACUITE B-/Negative (Downgraded and Outlook Revised)
22-Jan-2018	Cash Credit	Long term	1.50	ACUITE B (Downgraded and Indicative)
	Term Loan	Long term	20.40	ACUITE B (Downgraded and Indicative)
	Term Loans	Long term	2.10	ACUITE B (Downgraded and Indicative)

***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	31-Jul-17	Not Applicable	31-Mar-27	15.78	ACUITE B-/Negative (Reaffirmed)
Term Loan	31-Jul-17	Not Applicable	31-Mar-22	0.33	ACUITE B-/Negative (Reaffirmed)
Proposed Facilities	Not Applicable	Not Applicable	Not Applicable	6.39	ACUITE B-/Negative (Reaffirmed)

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