

Press Release

Annai Arul Healthcare Private Limited (AAHPL)

05 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.9.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) to the above mentioned bank facilities of Annai Arul Healthcare Private Limited (AAHPL). The outlook is '**Stable**'.

AAHPL, incorporated in 2012 was promoted by Dr. Joseph Jensingh Babu and Mr. Antony Christopher Joseph. The company runs Annai Arul Hospital, an 87-bed multi-speciality hospital in Chennai.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters: The promoter, Dr. Joseph Jensingh Babu, has more than two decades of experience in the healthcare industry.

Average financial risk profile: The company has average financial risk profile marked net worth of Rs.5.60 crore and gearing (Debt-Equity ratio) of 1.27 times as on March 31, 2016 compared to net worth of Rs.5.23 crore and gearing of 1.54 times as on March 31, 2015. The Interest coverage ratio (ICR) stood comfortable at 1.77 times in FY2015-16.

Moderate occupancy level: The hospital commenced operations in 2014, it registered moderate occupancy rate of 45 per cent from April 2015 to March 2016.

Weaknesses:

Modest scale of operations: AAHPL operates on a moderate scale with operating income of Rs.14.43 crore in FY2015-16 compared to Rs.11.35 crore in FY2014-15. The company registered revenue of Rs.12.41 crore from April 2016 – October 2016.

Low profitability and intense competition: The operating margins declined to 15.96 per cent in FY2015-16 from 21.91 per cent in FY2014-15. The decline is due to increase in employee cost. Also, the company faces intense competition from several players in the healthcare industry.

Applicable Criteria

- Service Entities - <https://www.smera.in/criteria-services.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that AAHPL will maintain a 'Stable' outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company generates healthy cash flows from operations while achieving a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability or deterioration in the financial risk profile.

About the Company

AAHPL, incorporated in 2012 commenced operations from February 2014. Promoted by Dr. Joseph Jensisingh Babu and Mr. Antony Christopher Joseph, the company runs Annai Arul Hospital, an 87-bed multi-speciality hospital that provides healthcare facilities in the fields of gastroenterology, gynaecology, orthopaedics and several others.

For FY2015-16, AAHPL reported net loss of Rs.0.25 crore on operating income of Rs.14.43 crore as compared to profit after tax (PAT) of Rs.0.24 crore on operating income of Rs.11.38 crore in the previous year. The net worth stood at Rs.5.60 crore as on March 31, 2016 against Rs.5.23 crore a year earlier.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	0.25	SMERA BB-/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Term Loan	LT	7.90	SMERA BB-/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Proposed Cash Credit	LT	0.25	SMERA BB-/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Proposed Fund/Non-Fund Based	ST/LT	0.60	SMERA BB-/Stable/A4 (Assigned)	NA	NA	NA	NA	NA	NA

***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	NA	NA	NA	0.25	SMERA BB-/Stable (Assigned)
Term Loan	NA	NA	September 2020	7.90	SMERA BB-/Stable (Assigned)
Proposed Cash Credit	NA	NA	NA	0.25	SMERA BB-/Stable (Assigned)
Proposed Fund/Non-Fund Based	NA	NA	NA	0.60	SMERA BB-/Stable/A4 (Assigned)

Note on complexity levels of the rated instrument: <https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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