

Press Release

Sooriya Hospital (SH)

12 December, 2017



Rating Assigned and Withdrawn

Total Bank Facilities Rated*	Rs. 64.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs.64.00 crore bank facilities and withdrawn the rating of **SMERA BB/Stable** (read as **SMERA BB**) on the Rs.10.00 crore bank facilities of Sooriya Hospital (SH). The outlook is '**Stable**'.

Sooriya Hospital was established in 1991 by Dr. C.P Sreekumar MS (Gen). M.Sc. (Ortho), London and his wife Dr. Sooriyakala Sreekumar, MD. The 200 bed multi-specialty hospital located in Chennai offers a range of healthcare facilities in the fields of orthopaedics, obstetrics, gynaecology, cardiology among others.

Key Rating Drivers

Strengths

• Experienced promoters and second line of management

The promoters, Dr. C.P. Sreekumar (MS) (Gen.), M.S.C. (Ortho), London and Dr. Sooriyakala Sreekumar (MD) possess extensive experience in managing hospitals. Further, the hospital plans to soon start In Vitro Fertilization (IVF) inpatient ward in April 2018, to be headed by Dr. Rajiv Sreekumar (son of Dr. CP Sreekumar).

• Healthy and increasing operating margins

The operating margins improved from 24.07 per cent in FY2016 to around 27 per cent in FY2017 due to better absorption of operating expenses. Operating margins remained healthy as the nature of business is service. As on October 2017, the occupancy levels were 95 per cent and averaged around 80 per cent in FY2017.

Weaknesses

• Average financial risk profile

The average financial risk profile is marked by moderate networth, gearing levels and debt protection metrics. The networth levels increased to Rs.36.12 crore in FY2017 compared to Rs.33.46 crore in the previous year due to profit retention. The gearing levels stood at 1.96 times in FY2017 as against 1.93 times in the preceding year. The gearing levels are high due to the debt funded capex undertaken to set up a 2 MW solar project at Thoothukudi, Tamil Nadu at an estimated cost of around Rs. 32.66 crore expected to be funded by Rs.24.42 crore of bank borrowings and the balance from own sources. The incremental debt to be contracted over the medium term would result in deterioration of the gearing levels. The interest coverage ratio decreased from 1.64 times in FY2016 to 1.52 times in FY2017 due to increase in interest expense. The net cash accrual to total debt stood at a low of 0.06 times and the debt service coverage ratio at a moderate 1.10 times in FY2017.

- **Competitive industry**

The hospital faces intense competition from several players in the vicinity including Kauvery Hospital, Vijaya Hospital, SIMS Hospital, Sundaram Medical Foundation among others apart from large players such as Apollo Hospital.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SH.

Outlook: Stable

SMERA believes that the outlook on the rated facilities of Sooriya Hospital will remain stable over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the hospital achieves better than expected growth in revenues and profit margins. Conversely, the outlook maybe revised to 'Negative' in case of decline in profitability or deterioration in the capital structure.

About the Rated Entity - Key Financials

For FY2016-17, the hospital reported net profit after tax of Rs.3.13 crore on total income of Rs.51.78 crore as against net profit after tax of Rs.2.91 crore on total income of Rs.50.47 crore a year earlier. The net worth stood at Rs.36.12 crore as on March 31, 2017, as against Rs.33.36 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Service Entities - <https://www.smera.in/criteria-services.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. Crore)	Ratings/Outlook
February 17, 2017	Term Loan	Long Term	10.00	SMERA BB / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.15	SMERA BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.35	SMERA BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	45.08	SMERA BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.90	SMERA BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.02	SMERA BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB / Stable (Withdrawn)

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ABOUT SMERA

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