Press Release

Care Max Super Speciality Hospital

April 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 8.40 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. 8.40 crore bank facilities of Care Max Super Speciality Hospital. The outlook is **'Stable'**.

Care Max Super Speciality Hospital (the erstwhile Chawla Heart Care Centre) is a Punjab-based super speciality hospital founded by Dr. Raman Chawla in 2010. The hospital (Care Max) provides a range of health care services.

Key Rating Drivers

Strengths

• **Long track record of operations and experienced management**
Care Max was established in 2010 by Dr. Raman Chawla. The firm runs a 70 bed multi-facility hospital in Jalandhar, Punjab. The management possesses experience of over two decades in the abovementioned line of business. The average occupancy of the hospital stands healthy at 70 per cent.

• **Diversified services**
The hospital offers healthcare services in the fields of neurosurgery, orthopaedics, cardiology, anaesthesiology among others. The hospital is equipped with a blood bank, imaging and several other facilities.

• **Healthy financial risk profile**
The ratings draw support from the healthy financial risk profile marked by comfortable gearing (debt-to-equity) of 0.22 times as on March 31, 2016 against 0.06 times in FY2014-15. Moreover, the interest coverage ratio is healthy and stood at 30.99 times in FY2015-16 against 25.28 times in FY2014-15. The debt service coverage ratio (DSCR) stood at 32.13 times in FY2015-16 against 28.34 times in FY2014-15.

Weaknesses

• **Small scale of operations**
The scale of operations is small as reflected in the revenue of around Rs.12.04 cr in FY2015-16 as compared to Rs.10.76 cr in FY2014-15.

• **Competitive and fragmented industry**
The hospital operates in an intensely competitive healthcare industry with established players including Fortis, Apollo, Metro, Medanta and Escort.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that Care Max will maintain a stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case it registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenue or the financial risk profile deteriorates.

About the Rated Entity - Key Financials

For FY2015-16, the hospital reported profit after tax (PAT) of Rs.3.51 cr on operating income of Rs.12.04 cr, as compared with PAT of Rs.3.08 cr on operating income of Rs.10.76 cr in FY2014-15. The net worth stood at Rs.18.16 cr as on March 31, 2016 against Rs.16.43 cr 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
- Entities In 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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.90	SMERA BB / Stable

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ABOUT SMERA

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