

Press Release

Care Max Super Speciality Hospital

January 14, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 8.40 Cr.
Long Term Rating	ACUITE BB/Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB** (read as ACUITE double B) to the Rs.4.73 crore bank facilities of Care Max Super Speciality Hospital (Care Max). The outlook is '**Stable**'.

Acuité has assigned the long term rating of '**ACUITE BB** (read as ACUITE double B) to the Rs.3.67 crore bank facilities of Care Max Super Speciality Hospital (Care Max). The outlook is '**Stable**'

Established in 2010, Care Max (erstwhile Chawla Heart Care Centre) is a Punjab-based proprietorship firm founded by Dr. Raman Chawla. The firm runs a 70 bedded super speciality hospital operating at 62 percent occupancy rate in FY2018. The hospital offers heart care service including Cardiology and Cardio Thoracic Vascular Surgery, Neurosurgery, Orthopedic and spine, Ophthalmology among others.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

Care Max was established by Dr. Raman Chawla (Proprietor) who manages the overall operations, and possesses nearly three decades of experience in the industry. Dr. Raman Chawla (M.D, D.M, Heart Specialist) is the chief cardiologist and has been a medical practitioner for nearly three decades. The hospital has about 35 active doctors supported by nursing staff and others of around 150 staff. Hospital offers various specialties and allied services such as Laboratory, Blood Bank, Radiology and Imaging, Emergency and Ambulance.

Acuité believes that Care Max's revenue profile is expected to improve over the medium term supported by the increasing occupancy levels during the year, vintage Doctor team and the services they offer.

- **Comfortable financial risk profile**

Financial risk profile of the firm has remained comfortable marked by net worth of Rs.19.68crore as on 31 March, 2018 as against Rs.19.20 crore as on 31 March, 2017. Gearing remained comfortable at 0.24 times as on 31 March, 2018 as against 0.33 times as on 31 March, 2018. Total debt of Rs.4.70crore as on 31 March, 2018 comprises of long term borrowing of Rs.2.91crore and short term working capital borrowing of Rs.1.79crore. TOL/TNW is healthy at 0.35 times as on 31 March, 2018 as against 0.44 times as on 31 March, 2017. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 9.29 times and 0.97 times respectively in FY2018. DSCR is comfortable at 9.41 times in FY2018 as against 9.80 times in FY2017. Care Max reported cash accruals of Rs.4.47crore in FY2018 and they are likely to be in the range of Rs.5.00-8.00crore over the medium term; against which its repayment obligations are around Rs.0.70crore per annum.

Acuité believes that Care Max will continue to maintain healthy financial risk profile at similar levels

over the medium term.

Weaknesses

- **Small scale of operations with declining profitability**

Care Max has small scale of operations marked by revenue of Rs.15.77crore in FY2018 against Rs.14.13crore in FY2017. Care Max's occupancy level stood at ~ 62 percent during the period under study. However, the firm has currently booked revenue of Rs.12.00 crore for the period April to November, 2018.

Further, the margins show declining trend. The operating margins stood at 30.69 percent in FY2018 as against 33.53 percent in FY2017 and 35.10 percent in FY2016. Also, Profit after Tax (PAT) margins stood at 15.78 percent in FY2018 as against 19.20 percent in FY2017 and 29.13 percent in FY2016.

- **Competitive nature of business**

Care Max is exposed to intense competition from other super specialty hospitals in and around Jalandhar.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.77	14.13	12.04
EBITDA	Rs. Cr.	4.84	4.74	4.23
PAT	Rs. Cr.	2.49	2.71	3.51
EBITDA Margin	(%)	30.69	33.53	35.10
PAT Margin	(%)	15.78	19.20	29.13
ROCE	(%)	12.14	13.51	18.46
Total Debt/Tangible Net Worth	Times	0.24	0.33	0.22
PBDIT/Interest	Times	9.29	9.67	32.13
Total Debt/PBDIT	Times	0.94	1.29	0.91
Gross Current Assets (Days)	Days	31	31	45

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-4.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
29-June-2018	Secured Overdraft	Long Term	2.50	ACUITE BB/Stable (Indicative)
	Term Loan	Long Term	5.90	ACUITE BB/Stable (Indicative)
27-Apr-2017	Secured Overdraft	Long Term	2.50	ACUITE BB/Stable (Assigned)

	Term Loan	Long Term	5.90	ACUITE BB/Stable (Assigned)
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***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.23	ACUITE BB (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	3.67	ACUITE BB (Assigned)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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