

Press Release

Shubhram Hospital Solutions Private Limited (SHSPL)

11 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.83.00 Cr
Long Term Rating	SMERA AA (SO)/Stable# (Assigned)

**Refer Annexure for details*

Rating based on credit enhancement in the form of Standby Letter of Credit (SBLC)

SMERA has assigned long-term rating of '**SMERA AA (SO)**' (read as **SMERA double A structured obligation**) on the Rs. 83.00 crores bank facilities of Shubhram Hospital Solutions Private Limited (SHSPL). The outlook is '**Stable**'.

SMERA has assigned the ratings based on the Credit enhancement in the form of Standby Letters of Credit (SBLC) issued by Unicredit S.P.A and Axis Bank to secure these facilities to SHSPL. The facilities (three term loans) of Rs. ~63 crore are secured by SBLC from Unicredit S.P.A and (Overdraft) of Rs.20.00 is secured by SBLC from Axis Bank.

About the rated entity:

Shubhram Hospital Solutions Private Limited (SHSPL) incorporated in 2014 is a subsidiary of Servizi Italia an Italy based company holding 51 per cent shares of SHSPL. Servizi Italia is listed on Milan stock exchange and is engaged in wash-hire, linen sterilisation, surgical instruments sterilisation and supply of surgical procedure kits for healthcare, public and private hospitals. Besides, India Servizi Italia has presence in Brazil and Turkey.

SHSPL is promoted by Dr. Shashi Baliyan, Dr. Seema Naliyan, Dr. Maurizio Casol, Dr. Enea Righi and Dr. Luciano Facchini. The company provides linen management services to domestic hospitals. SHSPL has tie up with various hospitals including Sri Ganga Ram Hospital, Fortis Group (Delhi, Gurgaon, Jaipur, Mohali, Shalimar Bagh & Ludhiana) and Paras Healthcare. SHSPL commenced operations in FY2016.

About Unicredit S.P.A:

UniCredit S.p.A. is an Italian global banking and financial services company headquartered in Milan with presence in Europe, Asia, America and Africa. For FY2016 the bank reported operating income of € 8.91 billion and Operating profit of € 3.2 billion. Further the Total asset of the bank stood at € 394.8 billion and Shareholders' Equity of € 32.67 billion as on 31 December 2016.

About Axis Bank Limited:

Axis Bank is the third largest private sector bank in India with balance sheet size of Rs. 601468 crore, deposits of Rs. 414379 crore and market capitalisation of Rs. 117548 crore as on 31 March 2017. The bank reported operating revenue of Rs. 29784 crore and net profit of Rs. 3679 crore for FY2017.

List of Key Rating Drivers and their detailed description

Strengths:

Facilities secured by SBLC from Unicredit Bank and Axis Bank:

The bank facilities to SHSPL comprises three term loans aggregating Rs. 63.00 crore which are secured by a SBLC from Unicredit S.P.A (euro denominated SBLC) and an Overdraft facility of Rs. 20.00 crore, secured by SBLC from Axis Bank (Rupee denominated SBLC) . The current SBLCs from Unicredit and Axis Bank are valid till April 21, 2018. The SBLCs are renewed on an annual basis.

The rating assumes that these SBLCs will be renewed in a timely manner so as to cover the lending bank's exposure till the maturity of the facilities. Similarly the rating is also sensitive to changes in the credit profiles of SBLC issuing banks i.e Axis Bank and Unicredit S.P.A.

Experienced management

SHSPL is a 51 per cent subsidiary of Servizi Italia, an Italy-based company with global presence in Brazil, Turkey and Sao Paulo. The company's operations are spread across Italy and Brazil.

The Directors in charge of SHSPL, Dr. Seema Baliyan and Dr. Shashi Baliyan, have experience of over a decade in the healthcare industry. Later in 2015 they shifted to India and started Shubhram Hospitals. Dr. Shashi Baliyan has more than 15 years of experience of clinical, management and consulting experience acquired across UK.

SMERA believes that SHSPL will be able to maintain a healthy business risk profile over the near to medium term on the back of its experienced management and support from its parent company.

Weaknesses

Foreign exchange fluctuation risk

The operating cash flow (revenues and operating costs) of SHSPL will be in Indian rupees, whereas the term loans are denominated in Euros. Hence significant fluctuation in exchange rates will impact the performance of SHSPL.

Analytical approach: SMERA has considered credit enhancement in the form of SBLCs while arriving at the rating. Any change in the credit profiles of the SBLC issuing banks will be a key rating sensitivity.

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Outlook: Stable

SMERA believes that the outlook for the facilities of SHSPL will remain 'Stable' over the medium term as the facilities of SHSPL will be continuously supported in the form of SBLCs from guaranteeing bank Unicredit S.P.A and Axis Bank. The outlook may be revised to 'Positive' in case there is a significant improvement in the credit profiles of these guaranteeing banks. Similarly the outlook may be revised to 'Negative' in case of substantial decline in the credit quality of SBLC issuing banks.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.58	3.96	-
EBITDA	Rs. Cr.	6.35	(6.87)	(4.31)
PAT	Rs. Cr.	1.49	(15.17)	(4.96)
EBITDA Margin	(%)	23.90	(173.51)	-
PAT Margin	(%)	5.60	(383.18)	-
ROCE	(%)	(4.70)	(19.94)	(19.42)
Total Debt/Tangible Net Worth	Times	11.43	(9.14)	11.51
PBDIT/Interest	Times	1.70	(2.15)	(6.95)
Total Debt/PBDIT	Times	12.15	(7.57)	(9.55)
Gross Current Assets (Days)	Days	158	440	-

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: None

Rating History for the last three years: NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Term loan I	Not Applicable	Not Applicable	Not Applicable	58.00	SMERA AA (SO)/Stable (Assigned)
Term loan II	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA AA (SO)/Stable (Assigned)
Term loan III	Not Applicable	Not Applicable	Not Applicable	3.00*	SMERA AA (SO)/Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA AA (SO)/Stable (Assigned)

*Sublimit of Rs.3.00 crore as Buyer's Credit
Sublimit of Rs.3.00 crore as Letter of Credit

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ABOUT SMERA

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