

Press Release

Healthway Hospitals Private Limited

July 06, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.45.00 Cr.
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.45.00 Cr bank facilities of Healthway Hospitals Private Limited (HHPL).

The rating is in accordance with Acuité's policy on withdrawal of rating and on account of request received from company and no dues certificate received from the banker.

About the Company

HHPL was incorporated in April 2013, as a 99.94% subsidiary of Goa Doctors Alliance Pvt Ltd (GDAPL). HHPL is a multi-specialty, tertiary care hospital in Goa. GDAPL is an investment arm promoted by 33 doctors (now 52) with equal shareholding. HHPL also operates 3 well stocked pharmacies which operate on International GMP and management standards. 45 of the 52 doctors holding shares in GDAPL are currently practicing at HHPL. The hospital is currently headed by Mr. Virendra Sadanand Gaonkar, Mr. Nilesh Balwant Talwadkar, Mr. Sanjeev Janardan Juwarkar and Mr. Amit Subhash Kalangutkar.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of HHPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

Incorporated in 2013, HHPL is offering advanced healthcare services as a multi-tier multi-specialty hospital. GDAPL, the holding company of HHPL, is a company operated by 52 doctors. 45 of those 52 doctors are currently practicing in HHPL, with each of them holding up to two to three decades of experience in the medical field. HHPL is operationalizing its bed capacity gradually with occupancy rate of about 75 per cent in FY2021. Further to scale up its operations and improve its profitability, HHPL is diversifying into critical care services which requires investment on human capital till they break-even; which is expected to yield higher margins going forward.

- **Moderate financial risk profile**

HHPL has a moderate financial risk profile marked by healthy gearing (debt-to-equity), comfortable total outside liabilities to tangible networth (TOL/TNW) though partly constrained by debt protection metrics. It's gearing and TOL/TNW stood at 0.59 times and 0.85 times as on March 31, 2020 as against 0.57 times and 0.80 times in March 31, 2019, respectively. Its networth is moderate at Rs.43.94 Cr as on March 31, 2020 compared to Rs. 46.55 Cr as on March 31, 2019. Debt protection metrics of interest coverage and net cash accruals to total debt are moderate at 1.24 and 0.03 times in FY2020, though improved from 1.16 and 0.03 times in FY2019. Its net cash accruals in FY2020 are at Rs.0.75 Cr.

Weaknesses

- **Intense competition in the industry**

The hospital faces intense competition from several players in the city from small players apart from large players such as Manipal Hospitals - Goa. Also, continuous investment (both on working capital as well as medical equipment) is required on an on-going basis for venturing into new specialty services while maintaining the cash flows to service its loan obligations.

Rating Sensitivity

None

Material Covenants

None

Liquidity: Stretched

Liquidity of the company is stretched marked by modest cash accruals to its maturing debt obligations. The company reported net cash accruals of Rs.0.75 Cr for FY2020 against its repayment obligations of about Rs.1.50 Cr. Low cash and bank balances of Rs.0.63 Cr as on March 31, 2020 coupled with moderate current ratio of 1.00 times for the same period.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	35.51	36.52
PAT	Rs. Cr.	(2.71)	(2.79)
PAT Margin	(%)	(7.63)	(7.63)
Total Debt/Tangible Net Worth	Times	0.59	0.57
PBDIT/Interest	Times	1.24	1.16

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Service Sector Entities - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
25-Nov-2020	Term Loan	Long Term	25.00	ACUITE BB (Downgraded) Issuer not cooperating*
	Cash Credit	Long Term	2.00	ACUITE BB (Downgraded) Issuer not cooperating*
	Overdraft	Long Term	0.30	ACUITE BB (Downgraded) Issuer not cooperating*
	Proposed	Long Term	17.10	ACUITE BB (Downgraded) Issuer not cooperating*
	Bank Guarantee	Short Term	0.60	ACUITE A4+ Issuer not cooperating*
05-Sep-2019	Term Loan	Long Term	25.00	ACUITE BB+/Stable (Upgraded)
	Cash Credit	Long Term	2.00	ACUITE BB+/Stable (Upgraded)
	Overdraft	Long Term	0.30	ACUITE BB+/Stable (Upgraded)

	Proposed	Long Term	17.10	ACUITE BB+/Stable (Upgraded)
	Bank Guarantee	Short Term	0.60	ACUITE A4+ (Reaffirmed)
10-July-2019	Dropline Overdraft	Long Term	2.73	ACUITE BB- Issuer not cooperating*
	Term Loan	Long Term	27.08	ACUITE BB- Issuer not cooperating*
	Bank Guarantee	Short Term	0.49	ACUITE A4+ Issuer not cooperating*
	Proposed	Long Term	14.70	ACUITE BB- Issuer not cooperating*

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Available	Not Available	Not Available	25.00	ACUITE BB Withdrawn*
Cash Credit	Not Available	Not Available	Not Available	2.00	ACUITE BB Withdrawn*
Overdraft	Not Available	Not Available	Not Available	0.30	ACUITE BB Withdrawn*
Proposed	Not Available	Not Available	Not Available	17.10	ACUITE BB Withdrawn*
Bank Guarantee	Not Available	Not Available	Not Available	0.60	ACUITE A4+ Withdrawn*

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About Acuité Ratings & Research:

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