



Press Release
SARVOTTAM HEALTHCARE PRIVATE LIMITED
February 04, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.50	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on the Rs.25.50 Cr. bank facilities of Sarvottam Healthcare Private Limited (SHPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation:

The rating reaffirmation takes into account extensive experience of the management of over three decades in the healthcare industry, an established position as a multispecialty hospital in Kakinada, and stable performance marked by modest growth in scale of operations coupled with healthy margins. It also factors in the healthy financial risk profile with low gearing and a healthy interest coverage ratio.

The rating, however, remains constrained on account of moderate nature of working capital operations and high competition; retention of experienced consultants remains a key challenge.

About the Company

Kakinada-based Sarvottam Healthcare Private Limited (SHPL) was established in 2010 with ten doctors, including super-specialists. The company runs a 183-bed multi-specialty hospital located in Kakinada under the name ‘Trust Hospital,’ offering a range of healthcare services in the fields of orthocare, nephrology, gastroenterology, cardiology, and cardiothoracic segments, to name a few. SHPL is promoted by Dr. H. D. Shenoy and Dr. Kalyana Chakravarthy Yeluri, who have around three decades of experience in the healthcare industry.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of SHPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established brand name and experience of promoters in healthcare industry

SHPL is promoted by Dr. H. D. Shenoy and Dr. Kalyana Chakravarthy Yeluri, who have around three decades of experience in the healthcare industry. Dr. H. D. Shenoy specializes in Trauma care, Anaesthesia and Dr. Kalyana Chakravarthy Yeluri is an Anaesthesia. The company was incorporated in December, 2010 along with eight other doctors and runs a 183 bed multispecialty hospital located in Kakinada offering of multispecialty services in the field of Orthocare, Nephrology, Gastroenterology, Cardiology and Cardiothoracic segments to name a few. SHPL has recruited specialists/ consultants across various disciplines to attract patients and also to cater patients from the nearby districts. SHPL operates 2 superspeciality hospitals under the brand name of 'Trust Hospitals'. Acuité believes that SHPL will continue

to benefit from the promoters' experience in the healthcare industry.

▪ **Stable operating performance**

The company has reported moderate growth with y-o-y growth of 5.40 percent in FY2024 as compared to FY2023. Revenues stood at Rs.74.10 Cr. in FY2024 as against Rs.70.30 Cr. in FY2023. Occupancy remained stable at 80 percent in FY2024. The modest growth in FY2024 and expected the same in FY2025 is on account of stagnant occupancy rates for inpatient services. Of the total revenue generated, ~58.69 percent was from in-patient services (IPD), ~16.25 percent was from outpatient services (OPD), and ~25.07 percent was from the sale of pharmacy products. The operating profit margins ranged between 18.47-19.5 percent in the last two years ending in FY2024. Acuite believes that the ability of the company to improve its occupancy levels leading to improvement in overall business risk profile will remain a key rating sensitivity.

▪ **Healthy financial risk profile**

The company's financial risk profile is healthy, marked by a moderate net worth, low gearing, and healthy debt protection metrics. The net worth of the company stood at Rs. 36.19 Cr. and Rs. 31.27 Cr. as on March 31, 2024, and 2023, respectively. The improvement in the networth is owing to accretion of reserves. The gearing of the company stood at 0.45 times as on March 31, 2024, against 0.70 times as on March 31, 2023. The improvement in the gearing ratio is due to a decrease in long-term debt. Debt protection metrics—interest coverage ratio and debt service coverage ratio—stood at 8.09 times and 1.64 times as on March 31, 2024, respectively, as against 6.69 times and 1.65 times as on March 31, 2023, respectively. Improvement in ICR is mainly due to a decrease in interest cost during FY2024. TOL/TNW (total outside liabilities/total net worth) stood at 0.76 times and 1.05 times as on March 31, 2024, and 2023, respectively. The debt to EBITDA of the company stood at 1.17 times as on March 31, 2024, as against 1.55 times as on March 31, 2023. Acuite believes that SHPL's financial risk profile will continue to remain at the healthy levels over the medium term.

Weaknesses

▪ **Moderate nature of working capital operations**

SHPL's working capital operations are moderate in nature marked by gross current asset (GCA) of 92 days in FY2024 as against 86 days in FY2023. The GCA days are impacted mainly on account of elongation in debtors' collection period (delay in reimbursement from the government and other schemes, Arogyasri, Arogyaraksha, among others). Inventory days stood at 12 days in FY2024 as against 11 days in FY2023. The debtor day stood at 67 days in FY2024 as against 63 days in FY2023. Subsequently, the payable period stood at 71 days in FY2024 as against 72 days in FY2023, respectively.

▪ **High competition; retention of experienced consultants remains a key challenge**

Given the growing demand for healthcare services in India, the sector has been witnessing rising interest from domestic and foreign players. Improvement in operational profile is highly dependent on the hospital's ability to retain and attract reputed consultants, which will be a challenge in the light of increased competition in the healthcare sector from various private healthcare chains as well as government hospitals. SHPL enjoys good brand equity and a track record, which lends it some competitive advantage. Furthermore, any restrictions on treatment costs or pharmaceutical sales would have an adverse effect on the company's margins.

Rating Sensitivities

- Significant and sustainable improvement in the company's scale and profitability
- Significant increase in debt levels impacting its liquidity or debt metrics
- Improvement in occupancy levels

Liquidity Position: Adequate

SHPL liquidity is adequate, marked by adequate net cash accruals as against repayment obligations. It generated cash accruals in the range of Rs.10.34 Cr. in FY2024, while its maturing debt obligations were Rs. 5.62 Cr. during the same period. Going forward the company is expected to generate net cash accruals of Rs. 12.01 -13.50 Cr. in FY 2025-26 against Rs. 4.14- 4.54 Cr. debt obligations. The current ratio stood at 1.49 times as on March 31, 2024. The company maintains unencumbered cash and bank balances of Rs.2.27 Cr. as on March 31, 2024. Acuite believes that the liquidity of the company is likely to improve over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	74.10	70.30
PAT	Rs. Cr.	4.92	4.13
PAT Margin	(%)	6.64	5.88
Total Debt/Tangible Net Worth	Times	0.45	0.70
PBDIT/Interest	Times	8.09	6.69

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

Not applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook	
14 Nov 2023	Term Loan	Long Term	6.22	ACUITE BBB-	Stable (Reaffirmed)
	Term Loan	Long Term	3.57	ACUITE BBB-	Stable (Reaffirmed)
	Proposed Term Loan	Long Term	9.42	ACUITE BBB-	Stable (Reaffirmed)
	Term Loan	Long Term	2.44	ACUITE BBB-	Stable (Reaffirmed)
	Term Loan	Long Term	1.86	ACUITE BBB-	Stable (Reaffirmed)
	Term Loan	Long Term	1.99	ACUITE BBB-	Stable (Reaffirmed)
18 Aug 2022	Term Loan	Long Term	1.75	ACUITE BBB-	Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB-	Stable (Reaffirmed)
	Term Loan	Long Term	13.42	ACUITE BBB-	Stable (Reaffirmed)
	Term Loan	Long Term	2.18	ACUITE BBB-	Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	3.47	ACUITE BBB-	Stable (Reaffirmed)
	Term Loan	Long Term	2.68	ACUITE BBB-	Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.45	Simple	ACUITE BBB- Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Mar 2028	2.02	Simple	ACUITE BBB- Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Nov 2027	0.35	Simple	ACUITE BBB- Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Jun 2027	1.61	Simple	ACUITE BBB- Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Nov 2027	0.09	Simple	ACUITE BBB- Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Nov 2027	4.43	Simple	ACUITE BBB- Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Nov 2027	2.55	Simple	ACUITE BBB- Stable Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Moparthi Anuradha Devi Senior Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.