

Press Release

Soul Diagnostics

October 26, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 6.50 crore bank facilities of Soul Diagnostics. The outlook is '**Stable**'.

Soul Diagnostics is a Bangalore based partnership firm established in the year 2017. It is setting up a diagnostic centre with diagnostic services such as MRI scan, CT scan, Ultra sound, other diagnostic and health care services. The unit commenced operations partly in June 2018, and full-fledged services are expected around October 2018.

Key Rating Drivers

Strengths

- **Experienced management**

Soul Diagnostics was promoted by Mr. Chetan Shah, Ms. Meenakshi Iyer and Mr. Arun Kumar who possess more than a decade experience in diverse industries. Mr. Chetan, possess vast experience in the manufacturing industry and real estate. He was supported by the other partners Ms. Meenakshi Iyer, who possess about two decades of experience in the health care industry and Mr. Arun Kumar possess more than a decade experience in setting up of diagnostic centres and pathology departments while his stint with Lucid Diagnostics, Clumax Diagnostics among others. Acuite believes that the firm is expected to derive operational synergies from the experienced promoters over the medium term.

Weaknesses

- **Nascent stage of operations**

The unit has started commercial operations of pathology and other departments in June 2018; they are in the final stages of erection and commissioning of key equipment's of MRI, CT scan among others, and the same are likely to be operational around October 2018. The entire project is costing about Rs.13 crores, and the same is proposed to be funded out of term loan of Rs.5.50 crore crores and balance out of promoter's funds. Pending sanction of the bank limits, the promoters have infused funds in the form of equity and unsecured loans to complete the project. The firm has reported revenues of about Rs.1.1 crore for four months of June - September 2018, and Acuite believes that the ability of the firm to increase the scale of operations would be the key rating sensitivity factor over the medium term.

- **Highly fragmented industry and geographical concentration risk**

Medical diagnostics industry is highly fragmented with many unorganized players, laboratories within hospitals which account for major business; this increases competition for organized diagnostic chains in terms of volume of patient's samples and aggressive pricing of diagnostic tests. Further, diagnostic centres have to constantly upgrade technology to stay ahead of competition, which involves significant investment in medical equipment. The firm's revenues are concentrated with one operational centre at Indra Nagar, Bangalore exposing to geographical concentration risk.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Soul Diagnostics to arrive at this rating.

Outlook: Stable

Acuite believes that the outlook on Soul Diagnostics will remain 'Stable' over the medium term on account of experience of the partners in the health care industry. The outlook may be revised to 'Positive' in case of early stabilization of operations and generation of higher cash accruals than expected. The outlook may be revised to 'Negative' in case of lower-than-estimated cash accruals leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.00
EBITDA	Rs. Cr.	-1.36	0.00	0.00
PAT	Rs. Cr.	-1.63	0.00	0.00
EBITDA Margin	(%)	0.00	0.00	0.00
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	-32.13	0.00	0.00
Total Debt/Tangible Net Worth	Times	-822.18	0.00	0.00
PBDIT/Interest	Times	-4.78	0.00	0.00
Total Debt/PBDIT	Times	-6.23	0.00	0.00
Gross Current Assets (Days)	Days	0	0	0

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	1.00	ACUITE B+ / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B+ / Stable

Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327	Varsha Bist Manager - Rating Desk Tel: 022-67141160

srihari.adari@acuite.in

Naveen Papisetty
Analyst - Rating Operations
Tel: 022-67141148

naveen.papisetty@acuite ratings.in

rating.desk@acuite.in

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.

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. Acuité ratings 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. Acuité ratings 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.*