

## Press Release

### Soul Diagnostics

October 26, 2018



### Rating Assigned

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

\* Refer Annexure for details

### Rating Rationale

Acuité 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. Acuité 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 Acuité 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

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

### Outlook: Stable

Acuité 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

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**About Acuité Ratings & Research:**

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