

Press Release

EMC Super Speciality Hospital Private Limited

November 21, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 30.00 crore bank facilities of EMC Super Speciality Hospital Private Limited (EMC). The outlook is '**Stable**'.

EMC was established as a partnership firm in 2003 under the name of 'Emergency Medical Care Hospital' in Amritsar (Punjab). Subsequently in 2006, EMC acquired its second unit in Amritsar and started operations as a multi-speciality hospital & accidental care center with joint replacement services. In 2008, a third unit was setup by acquiring a hospital on lease from M/s Ram Saran Kishori Lal Trust and established super speciality hospital with heart care centre including Cath & Cardiac Lapidaries with Advanced Critical Care Intensive Care Unit.

The partnership firm was reconstituted as a private limited company under the name 'EMC Super Speciality Hospitals Private Limited' in 2010. The company runs a 380 bedded super specialty hospital operating at ~85 percent occupancy rate in FY2018. During the year, EMC has acquired a 50 bed running hospital 'M/s Swift Hospital' in Amritsar. It has also entered into a Joint venture (25 percent share) with NSH Hospital (NASA & HUB Super speciality Hospital), a 150 bedded hospital.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced Management

EMC was established by Mr. Pawan Arora, Mrs. Meenu Arora and Mr. Chaman Lal Arora. Mr. Pawan Arora (Managing Director) manages the overall operations, and possesses more than three decades of experience in the industry. Mr. Chaman Lal Arora is the senior consultant and medical superintendent and has been a medical practitioner for more than three decades. The hospital has about 39 active doctors supported by nursing staff and others of around 700 staff.

Over the period, with established presence in the locality and healthy profile of consultants and Doctors, the occupancy levels have improved to ~85 percent in FY2018. The same has resulted in growth in revenues at a CAGR of about 11 percent from Rs.44.83 crore in FY2016 to Rs.61.23 crore in FY2018. In 2012, EMC made agreement with ECHS (Ex- Servicemen Contributory Health Scheme) under defense Army Department for cashless treatment of army employees within the various districts covered in the state of Punjab, Haryana, Himachal and Jammu & Kashmir.

Acuité believes that EMC's revenue profile is expected to improve over the medium term supported by the increasing occupancy levels, acquisition of new hospital units during the year, vintage Doctor team and the services they offer.

• Healthy financial risk profile

Financial risk profile of the company has remained healthy marked by net worth of Rs.37.40 crore as on 31 March, 2018 against Rs.29.70 crore as on 31 March, 2017. Net worth includes unsecured loan of Rs.24.14 crore treated as quasi-equity as the same is subordinate to bank debt. Gearing remained low at 0.35 times as on 31 March, 2018 as against 0.91 times as on 31 March, 2018. Total debt of Rs.13.22 crore as on 31 March, 2018 comprises of long term borrowing of Rs.9.88 crore and short term

working capital borrowing of Rs.3.34 crore. TOL/TNW is healthy at 0.49 times as on 31 March, 2018 as against 1.14 times as on 31 March, 2017. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 2.52 times and 0.48 times respectively in FY2018. DSCR is comfortable at 2.29 times in FY2018 as against 1.89 times in FY2017. EMC reported cash accruals of Rs.6.36 crore in FY2018 and they are likely to be in the range of Rs.9-11.4 crore over the medium term; against which its repayment obligations are around Rs.1.50 crore per annum.

Acuite believes that EMC will continue to maintain healthy financial risk profile at similar levels over the medium term.

Weaknesses

• Moderate scale of operations

EMC has moderate scale of operations marked by revenue of Rs.61.23 crore in FY2018 against Rs.49.89 crore in FY2017 despite having commenced commercial operations in 2003. EMC's occupancy level stood at ~ 85 percent during the period under study. However, on account of acquisition of new units, the scale of operations is expected to improve in the medium term.

• Working capital intensive operations

Operations of EMC are working capital intensive marked by Gross Current Assets (GCA) of 170 days in FY2018 against 270 days in FY2017. This is marked by high collection period of 131 days in FY2018 against 225 days in FY2017 which is mainly on account of hospital's dealings with government and other third party institutes, namely, Ex-servicemen contributory health scheme (ECHS), Defense/ Army Department, Employee State Insurance Corporation (ESI) and other Private insurance companies where the cashless treatments have a collection period in the range of 90-120 days.

• Competitive nature of business

EMC is exposed to intense competition from other super specialty hospitals in and around Amritsar.

Outlook: Stable

Acuite believes that EMC will maintain a 'Stable' outlook over the medium term owing to its experienced management and established operational track record. The outlook may be revised to 'Positive' in case of more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability, major debt funded capex or higher working capital requirements increasing pressure on margins and capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	61.23	49.89	44.83
EBITDA	Rs. Cr.	12.45	10.35	8.20
PAT	Rs. Cr.	2.35	1.34	1.28
EBITDA Margin	(%)	20.33	20.75	18.30
PAT Margin	(%)	3.83	2.69	2.85
ROCE	(%)	15.72	13.08	21.12
Total Debt/Tangible Net Worth	Times	0.35	0.91	1.04
PBDIT/Interest	Times	2.52	2.02	2.24
Total Debt/PBDIT	Times	1.06	2.61	3.21
Gross Current Assets (Days)	Days	170	270	266

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

None

Any other information

Not Applicable

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	8.49	ACUITE BBB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.51	ACUITE BBB- / Stable

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About Acuité Ratings & Research:

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