

Press Release

PN Memorial Neuro Centre And Research Institute Limited

March 30, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.210.00 Cr.
Long Term Rating	ACUITE A-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE A-**' (**read as ACUITE A minus**) on the Rs.210.00 Cr bank facilities of PN Memorial Neuro Center and Research Institute Limited (PNM). The outlook remains '**Stable**'.

The rating on PNM takes into account the established position of the company in the healthcare sector of Eastern India, as reflected from its steady bed occupancy levels. The rating also factors in the healthy financial risk profile of the company characterized by comfortable leverage and strong debt coverage indicators. These strengths are partly offset by the working capital intensity in PNM's operations and exposure to competition in the healthcare sector.

About the company

Incorporated in 2000, PNM started operation from 2009 and is promoted by Mr. Sajal Dutta, who also looks after day-to-day operations. The hospital became the youngest in India to achieve the National Accreditation Board of Hospitals (NABH) in June 2011 from Government of India. The company currently operates 2 multi-specialty hospitals under the brand 'Desun' in Kolkata and Siliguri (West Bengal). Currently, the company has license for 250 beds in the Kolkata unit and 102 beds for the Siliguri Unit. Both the units has 29 medical departments including 1 super specialty heart institute. Desun Nursing School, an initiative of Desun Hospital, Kolkata, to impart scientific knowledge & skills in nursing profession, is operational since 2011. The company is also setting up phase-II in Kolkata comprising of 300 beds super specialty cardiac division and 100 beds cancer ward. The hospital has been chosen by the government of West Bengal for treatment of their 27 lacs employees across West Bengal.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Incorporated in 2000, PN Memorial Neuro Center and Research Institute Limited (PNM) has a long operational track record of more than two decades. The long standing experience of the promoters and long track record of operations has helped them to establish a strong brand image and secure corporate tie ups with more than 150 entities. The tie up is spread across various sectors in the private and Government. The company has tie ups with the Government of West Bengal, Jharkhand, Mizoram and Bihar. The clientele of the entity from the private segment includes Air India, Hindustan Unilever, Ahluwalia Contracts, L&T, Hindalco, WIPRO, Microsoft only to name a few. Acuité believes that the promoters' extensive experience and expertise in the health care industry will support the company's growth plans going forward.

- **Steady business risk profile**

PNM has achieved revenues of Rs.197.02 Cr in FY2020 as compared to revenues of Rs.198.04 Cr in FY2019. The company has achieved revenues of around Rs.123.69 Cr till February, 2021 (Provisional). This decline in revenue is primarily on account of Covid-19 emergency, as the Siliguri unit was taken over by the Government of India from April 2020 to December, 2020. However, the unit has started its regular operations since Jan'21. The company is also nearing completion of phase-II extension project in Kolkata by the end of FY2022. In this unit, the Out Patient Department (OPD) will be operational from July, 2021, imparting revenue visibility going

forward. In addition to this, the nursing school has received approval for 50 additional seats for General Nursing & Midwifery (GNM) course and new 100 seats for BSc. Nursing from Nursing Council for new session in FY 2020-21. Acuité derives comfort from the company's growth plans and believes this will further support the business risk profile in the near to medium term.

- **Healthy financial risk profile**

The company's healthy financial risk profile is marked by a healthy networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.116.28 Cr as on March 31, 2020 from Rs.93.01 Cr as on March 31, 2019 due to accretion of reserves. Gearing of the company, stood comfortable at 0.77 times as on March 31, 2020 as against 0.80 times as on March 31, 2019. The debt of Rs.89.96 Cr mainly consists of working capital borrowing of Rs.50.03 Cr, term loan from bank of Rs.28.92 Cr, unsecured loans of Rs.10.71 Cr and current obligations of Rs.0.30 Cr as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 1.14 times as on March 31, 2020 as against 1.30 times as on March 31, 2019. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 7.73 times as on March 31, 2020 and Debt Service Coverage Ratio at 6.14 times as on March 31, 2020. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.34 times as on March 31, 2020. Acuité believes that the financial risk profile of the company will remain healthy backed by steady accruals and no major debt funded capex plans over the near to medium term.

Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 143 days in FY2020 as compared to 152 days in FY2019. The GCA days are high due to high debtor days at 97 days in FY2020 as compared to 109 days as on FY2019, mainly due to corporate tie-ups. The company has nevertheless made substantial realization of debtors mainly attributed to recovery of long pending dues cleared by the Government and large corporates. The inventory period is comfortable at 6 days in FY2020 as compared to 7 days in FY2019. Acuité believes that the operations would remain working capital intensive in the medium term mainly due to the inherently high ageing of debtors.

Rating Sensitivity

- Improvement in the scale of operation while maintaining profitability margin
- Delay in project execution if any, leading to cost overruns
- Elongation in working capital cycle

Material Covenants

None

Liquidity Profile: Strong

The company's liquidity is strong marked by net cash accruals of Rs.29.77 Cr in FY2020 as against long term debt repayment of Rs.13.03 Cr over the same period. The current ratio stood comfortable at 1.77 times as on 31st March, 2020 as compared to 1.70 times as on 31st March, 2019. The fund based limit remains utilised at only 8 percent over the twelve months ended January, 2021. The cash and bank balances of the company stood at Rs.20.59 Cr in FY2020 as compared to Rs.16.09 in FY2019. However, the company availed a Covid loan of Rs.14 Cr and a loan moratorium. The company's operations are working capital intensive as reflected by high Gross Current Assets (GCA) of 143 days in FY2020 as compared to 152 days in FY2019. The company has made substantial realization of debtors mainly attributed to recovery of long pending dues cleared by the Government and large corporates. The Company has started booking healthy number of non-Credit patients (upfront realization cases) post October 2020 which helped the company to improve its liquidity position. Acuité believes that going forward the company will maintain strong liquidity position due to steady net cash accruals and an expected shorter debtor cycle.

Outlook: Stable

Acuité believes that the outlook on PNM will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations and strong business risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its working capital management while increasing its scale of operations. Conversely, the outlook may be revised to 'Negative' in

case of any significant elongation in its working capital management leading to deterioration of its gearing and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19(Actual)
Operating Income	Rs. Cr.	197.02	198.04
PAT	Rs. Cr.	18.68	17.69
PAT Margin	(%)	9.48	8.93
Total Debt/Tangible Net Worth	Times	0.31	0.31
PBDIT/Interest	Times	7.77	7.27

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
08-Jan-2020	Cash Credit	Long term	13.00	ACUITE A-/Stable (Reaffirmed)
	Term Loan	Long term	197.00 (Enhanced from Rs.195 crore)	ACUITE A-/Stable (Reaffirmed)
14-Jan-2019	Cash Credit	Long term	13.00	ACUITE A-/Stable (Assigned)
	Term Loan	Long term	55.00	ACUITE A-/Stable (Assigned)
	Term Loan	Long term	140.00	ACUITE A-/Stable (Assigned)

*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	13.00	ACUITE A-/Stable (Reaffirmed)
Term Loan	27-Mar-2019	10.15%	31-Mar-2033	36.01	ACUITE A-/Stable (Reaffirmed)
Term Loan	25-Jul-2014	12.25%	31-Mar-2033	6.02	ACUITE A-/Stable (Reaffirmed)
Term Loan	31-Oct-2018	10.15%	31-Mar-2033	3.27	ACUITE A-/Stable (Reaffirmed)

Term Loan	17-Jul-2014	14.75%	31-Mar-2033	11.70	ACUITE A-/Stable (Reaffirmed)
Term Loan	27-Mar-2019	10.15%	31-Mar-2030	70.00	ACUITE A-/Stable (Reaffirmed)
Term Loan	11-Sep-2018	9.75%	31-Mar-2030	20.00	ACUITE A-/Stable (Reaffirmed)
Term Loan	19-Nov-2019	10.15%	31-Mar-2030	35.00	ACUITE A-/Stable (Reaffirmed)
Term Loan	01-Sep-2018	12.65%	31-Mar-2030	15.00	ACUITE A-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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