Press Release

PN Memorial Neuro Centre And Research Institute Limited

June 23, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	210.00	ACUITE A- | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	210.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* 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 as reflected from its steady bed occupancy levels and constant endeavour to improve its business risk position through cost efficiencies, expansion plans and improvement in occupancy level in the Siliguri unit. The rating also factors in the comfortable financial risk profile of the company characterized by its strong networth base, low gearing and healthy debt protection metrics. The company is expanding the existing unit in Kolkata from fiscal 2019 onwards and same will be partially operational from July 1, 2022, however the full completion of the project is expected by the end of FY23. 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 multispecialty hospitals under the brand 'Desun' in Kolkata and Siliguri (West Bengal). Currently, the company has license for 250 beds in the Kolkata unit and 162 beds for the Siliguri Unit. Both the units have 28 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 lac 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.

Stable business risk profile

Despite 30 per cent of the hospital beds in both the units being reserved for Covid-19 patients and the Siliguri unit entirely being taken over by the Government of India from Apr-Dec, 2020 on account of Covid-19 emergency, PNM has achieved revenues of Rs.152 Cr in FY2022 (prov.) as compared to revenues of Rs.143 Cr in FY2021 and Rs.197 Cr in FY2020. The company has achieved gross revenues of around Rs.10 Cr in April 2022 (prov.). The operating margin increased to 20.77 per cent in FY2022 (prov.) from 18.74 per cent in FY21. The PAT stood at 8.41 per cent as on FY2022 (prov.). Margin improvement was attributed to increase in the number of cash patients. The company is also nearing completion of phase-II extension project in Kolkata by the end of FY2023. In this unit, the Out Patient Department (OPD) will be operational from July, 2022, imparting revenue visibility going forward. Acuité derives comfort from the company's growth plans and believes the same will support the business risk profile over the medium term.

Comfortable financial risk profile

The company's comfortable financial risk profile is marked by strong networth base, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company has improved to Rs.269 Cr as on 31st March, 2022 (Prov.) from Rs.256 Cr as on 31st March, 2021 due to healthy accretion to reserves. Gearing of the company is comfortable at 0.48 times as on March 31, 2022 (prov.) as against 0.35 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.79 times as on March 31, 2022 (prov.) as against 0.65 times as on March 31, 2021. The healthy debt protection metrics of the group is marked by Interest Coverage Ratio at 4.00 times and Debt Service Coverage Ratio (DSCR) at 1.21 times as on March 31, 2022 (prov.). NCA/TD stood at 0.18 times in FY2022 (prov.). Going forward, Acuité believes that the financial risk profile of the company will remain be sustained at comfortable levels backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations marked by expected high Gross Current Asset (GCA) of 179 days as on 31st March, 2022 (prov.) as compared to 90 days as on 31st March, 2021 due to high amount of advance tax paid of around Rs.35 Cr in FY2022 (prov.). The inventory period and debtor period are comfortable at 7 days and 77 days respectively as on 31st March, 2022 (prov.). The company has made substantial realization of debtors mainly attributed to recovery of long pending dues cleared by the Government and large corporates. Acuité believes the working capital cycle will remain at similar levels over the medium term.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

The company's liquidity position is strong marked by net cash accruals of around Rs.22.72 Cr in FY2022 (prov.) as against long term debt repayment of Rs.17.17 Cr over the same period. The current ratio of the company has remained strong at 2.21 times as on March 31, 2022 (prov.) as against 2.09 times in FY21. PNM has unencumbered FDs of around Rs.115 Cr as on 31st Mar, 2022 (prov.). The fund based limit remained utilised at 46 per cent over the seven months ended May, 2022. However, the company has availed Covid loans of around Rs.24 Cr and a loan moratorium. Acuité believes that going forward the company's liquidity position will remain strong due to steady cash accruals.

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 healthy 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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	152.01	142.91
PAT	Rs. Cr.	12.79	3.02
PAT Margin	(%)	8.41	2.12
Total Debt/Tangible Net Worth	Times	0.48	0.35
PBDIT/Interest	Times	4.00	7.77

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

Not Applicable

Any other information

Not Applicable

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

https://www.acuite.in/view-rating-criteria-55.htm

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Mar 2021	Term Loan	Long Term	6.02	ACUITE A- | Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	11.70	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	35.00	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	70.00	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	3.27	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	36.01	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE A- | Stable (Reaffirmed)
08 Jan 2020	Term Loan	Long Term	197.00	ACUITE A- | Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A- | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.54	ACUITE A- | Stable | Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	5.64	ACUITE A- | Stable | Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	10.00	ACUITE A- | Stable | Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	13.60	ACUITE A- | Stable | Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.49	ACUITE A- | Stable | Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.79	ACUITE A- | Stable | Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	11.08	ACUITE A- | Stable | Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	140.00	ACUITE A- | Stable | Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	4.10	ACUITE A- | Stable | Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.76	ACUITE A- | Stable | Reaffirmed

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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.

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