



Press Release
PN Memorial Neuro Centre And Research Institute Limited
August 25, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	208.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	230.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the **Rs. 210.00 Cr** bank facilities of PN Memorial Neuro Center and Research Institute Limited (PNM). Further, Acuite has assigned long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on **Rs. 20.00 Cr**. The outlook remains '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation takes into account the sustenance of the operating performance and financial risk profile of the company. The revenue of the company stood at Rs. 194.86 Crore in FY2023(prov.) as against Rs.151.55 Crore in FY2022. The operating profit margin of the company stood at 24.46% for FY2023 (prov.) as against 20.10% for FY2022. The improvement is driven by improved bed occupancy levels and higher rates per bed. The financial risk profile of the company continues to be healthy marked by moderate net worth, debt-protection metrics and low gearing. The tangible net worth of the company stood at Rs. 285.24 Cr as on March 31, 2023 (prov.) as against Rs. 267.23 Cr as on March 31, 2022. The company follows moderate leverage as reflected in its peak gearing of 0.64 times as on March 31, 2023 (prov.) as against 0.48 times as on March 31, 2022. These strengths are partly offset by the working capital intensity in the 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 employees across West Bengal.

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 operating performance

The revenue of the company stood at Rs. 194.86 Crore in FY2023(prov.) as against Rs.151.55 Crore in FY2022. The occupancy level of the hospital remained stable in the range of 80 to 90% for the Kolkata Unit and for the Siliguri Unit, the occupancy level increased upto the range of 60% to 70% in FY2023 from 50 to 60% in FY2022. The operating profit margin of the company stood 24.46% for FY2023 (prov.) as against 20.10% for FY2022.

The company is in its final stage of completion of phase-II extension project in Kolkata wherein, the Out Patient Department (OPD) has been operational since April, 2023 , further 100 beds are expected to be operational by the month of September 2023 and the project is expected to be completed by the end of FY2024, imparting revenue visibility in near to medium term.

Acuité derives comfort from the company's growth plans and believes that the timely completion of the project is a key rating sensitivity monitorable.

Healthy Financial Risk Profile

The financial risk profile of the company is healthy marked by moderate net worth, coverage indicators and low gearing. The tangible net worth of the company stood at Rs. 285.24 Cr as on March 31, 2023 (prov.) as against Rs. 267.23 Cr as on March 31, 2022. The company follows moderate leverage as reflected in its peak gearing of 0.64 times as on March 31, 2023 (prov.) as against 0.48 times as on March 31, 2022. The total debt of the company of Rs.181.70 Cr. as on March 31, 2023(prov.) includes long term borrowings of Rs. 159 Cr and working capital borrowing of Rs. 22.70 Cr. The total outside liability to tangible net worth (TOL/TNW) stood at 0.98 times as on March 31, 2023 (prov.) as against 0.76 times as on March 31, 2022. The debt coverage ratios are moderate with interest coverage ratio (ICR) of 3.67 times as on March 31,2023(prov.) as against 4.07 times as on March 31,2022. The debt service coverage ratio (DCSR) stood at 1.56 times as on March 31, 2023(prov.) as against 1.15 times as on March 31, 2022.

The company has undertaken implementation of the 2nd phase in Kolkata unit comprising of 300 beds super speciality cardiac division and 100 beds cancer ward for a total cost of Rs.197.27 cr. to be funded from term loan of Rs.140 Cr. and balance through internal accruals. For this unit, the OPD has started since April 2023, and 100 beds are expected to be operational from September 2023 and rest of the expansion is expected to be completed by end of FY2024.

Weaknesses

Working Capital Intensive nature of operations

The operations of the company are of working capital intensive nature marked by gross current asset(GCA) day of 466 days for FY2023(prov.). The debtor days of the company stood at 120 days for FY2023(prov.) as against 88 days for FY2022. The debtor days are high mainly due to corporate and government tie-ups. The company gives a credit period of 90 to 120 days to corporate and government entities. The average bank limit utilisation of the working capital limits stood at 70% for last year ended as on May 2023.

Rating Sensitivities

- Improvement in the scale of operation while sustaining its profitability margin
- Elongation in working capital cycle
- Timely completion of the expansion of the phase 2 of Kolkata hospital

All Covenants

None

Liquidity Position Adequate

The liquidity position of the company is adequate marked by adequate net cash accrual against its debt repayment obligation. The company generated net cash accrual of Rs. 29.25 Cr in FY2023(prov.) as against the repayment obligation of Rs. 14.17 Cr. Going ahead, the net cash accruals are expected to be in the range of Rs.32.42 Cr. to Rs. 39.75 Cr. during FY2024-25 and the maturing debt obligations are expected to be in the range of Rs. 8.14 Cr. to 20.47 Cr. The cash and bank balance stood at 137.35 Cr. as on March 31, 2023. The current ratio stood at 2.10 times as on March 31, 2023(prov.).

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 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	194.86	151.55
PAT	Rs. Cr.	18.01	11.30
PAT Margin	(%)	9.24	7.46
Total Debt/Tangible Net Worth	Times	0.64	0.48
PBDIT/Interest	Times	3.67	4.07

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

Not Applicable

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Aug 2023	Covid Emergency Line	Long Term	2.22	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	138.30	ACUITE A- Stable (Reaffirmed)
	Covid Emergency Line	Long Term	4.72	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.10	ACUITE A2+ (Reaffirmed)
	Covid Emergency Line	Long Term	1.14	ACUITE A- Stable (Reaffirmed)
	Covid Emergency Line	Long Term	2.29	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	11.25	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.99	ACUITE A- Stable (Reaffirmed)
	Covid Emergency Line	Long Term	1.10	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Covid Emergency Line	Long Term	3.69	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	6.61	ACUITE A- Stable (Reaffirmed)
	Covid Emergency Line	Long Term	2.46	ACUITE A- Stable (Reaffirmed)
	Covid Emergency Line	Long Term	1.13	ACUITE A- Stable (Reaffirmed)
23 Jun 2022	Term Loan	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	140.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	0.79	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	2.76	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.10	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	0.49	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.64	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	13.60	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.54	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	11.08	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE A- Stable (Reaffirmed)
		Long		ACUITE A- Stable

30 Mar 2021	Term Loan	Term	11.70	(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)
	Term Loan	Long Term	6.02	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A- Stable Assigned
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.02	ACUITE A- Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.05	ACUITE A- Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.10	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.46	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.06	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	4.25	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.69	ACUITE A- Stable Reaffirmed
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.21	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	140.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	34.10	ACUITE A- Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.06	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

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