

Press Release

Felix Healthcare Private Limited

January 30, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BBB-/Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 40.00 crore bank facilities of Felix Healthcare Private Limited (FHPL). The outlook is '**Stable**'.

Noida-based FHPL was incorporated in 2011 by Dr. D.K. Gupta and Dr. Rashmi Gupta. The company is engaged in the running of a 150 Bedded Multi and Super Specialty hospital by the name of "Felix" in Noida. The operations of the company began in 2015 and currently the hospital has 55 well qualified team of doctors. Besides regular specialties, Felix Hospital has a varied range of Super Specialty services, modular operation theatre complex with HEPA filter laminar flow and hermetically sealed doors, well-equipped critical care units and hemodialysis facilities. Further the hospital has received both NABH and NABL accreditations.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of FHPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and reputed customers**

FHPL is promoted by Dr. D.K. Gupta and Dr. Rashmi Gupta and Dr. Shilpi Gupta who are seasoned players in the medical industry having an experience of around a decade each. All of the directors of the company are practicing doctors and have received various awards and recognitions in the past by prestigious organizations like PricewaterhouseCoopers and ET NOW News Channel to name a few. The promoters of the company are backed by well experienced team of 55 doctors. FHPL is operationalizing its bed capacity gradually with occupancy rate of about 55 per cent in FY2019. The vast experience of the promoters has enabled the company to maintain healthy relations with reputed client like Bharat Heavy Electricals Limited (B.H.E.L), National Thermal Power Corporation Limited (NTPC) and Northern railways etc.

Acuite believes that the Company will continue to benefit from its established presence in the aforementioned industry and the promoter's demonstrated ability to scale up the operations across various cycles.

- **Steady revenue growth:**

Since the operations of the hospital began in 2015 the company has a limited track record of operations however FHPL has been able to scale up their operations in this short period marked by the healthy revenue growth trend as seen by the revenues of Rs. 33.09 crores in FY2019, Rs. 29.96 crores in FY2018 and Rs. 15.18 crores in FY2017 respectively. Further the revenues till December 2019 stood at Rs. 28.79 crores.

Weaknesses

- **Intensive working capital management**

FHPL has intensive working capital operations marked by high Gross Current Assets (GCA) of 277

days in FY2019 as against 221 days in FY2018. The GCA days are dominated by the high payment period offered to the customers as the same is reflected by the debtor collection period of 231 days in FY2019 as against 195 days in FY2018, respectively. Further the inventory levels of the company stood low at 11 days in FY2019 as against 12 days in FY2018.

• **Competitive industry**

The hospital faces intense competition from several players in the city from small players apart from large players such as Kailash Hospitals - Noida. Also, continuous investment (both on working capital as well as medical equipment) is required on an on-going basis for venturing into new specialty services while maintaining the cash flows to service its loan obligations. Operationalizing and benefitting from the new specialty services is a key rating sensitivity factor.

Rating Sensitivity Factor

- Growth in revenue, while improvement in the profitability margins
- Expected growth in business
- Elongation of working capital operations leading deterioration in financial risk profile and liquidity

Material Covenants

None

Liquidity Position

FHPL has adequate liquidity marked by adequate net cash accruals to major maturing debt obligations. The Company generated cash accruals of Rs. 4.15 crores during FY2019 against the maturing debt obligation of Rs. 2.60 crores for the same period. The cash accruals of FHPL are estimated to be around Rs.4.51-6.07 crores against repayment obligations of around 2.62 crores for the period of 2020-22. The cash credit limit of the Company remains utilized at around 60-65 per cent during the last six month period ended December 2019. The Company maintains unencumbered cash and bank balances of Rs.0.62 crore as on March 31, 2019. The current ratio of the company stood moderate at 1.45 times as on March 31, 2019. Acuite believes that the liquidity of FHPL is likely to remain adequate over the medium term on account of comfortable cash accruals against the repayment obligations over the medium term.

Outlook: Stable

Acuite believes that FHPL will maintain a 'Stable' outlook over the medium term, owing to its promoters' extensive experience in the industry and steady revenue growth. The outlook may be revised to 'Positive' in case the Company achieves more than envisaged sales and profitability, while diversifying its revenue profile and sustains its capital structure. Conversely, the outlook may be revised to 'Negative' if there is stretch in its working capital management or larger than-expected debt-funded capex or drop in profitability while penetrating into newer territories leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	33.09	29.96
PAT	Rs. Cr.	0.60	0.38
PAT Margin	(%)	1.83	1.27
Total Debt/Tangible Net Worth	Times	3.39	3.79
PBDIT/Interest	Times	1.90	2.13

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-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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/criteria-complexity-levels.htm>

Rating History (Up to 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	11.00	ACUITE BBB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	28.90	ACUITE BBB-/Stable (Assigned)
Proposed bank facilities	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE BBB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in Nikhilesh Pandey Ratings Analyst - Rating Operations Tel: 011-49731304 nikhilesh.pandey@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

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