

Press Release

Felix Healthcare Private Limited

August 05, 2021

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.50.00 Cr. (Enhanced from Rs.40.00 Cr)
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed and assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs.50.00 Cr bank facilities of Felix Healthcare Private Limited (FHPL). The outlook is '**Stable**'.

The rating draws strength from the experienced management, reputed clientele, steady revenue growth and moderate financial risk profile of FHPL. These strengths are partially offset by its working capital intensive nature of operations and competition risk and regulatory risk associated with healthcare industry. Going forward FHPL's ability to improve its operating income without any deterioration in its profitability and working capital cycle will be key monitorable.

About the Company

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 Bed multi-specialty hospital in Noida. FHPL's operations began in 2015 and currently the hospital has team of 55 qualified 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. The hospital is accredited by both NABH and NABL. Currently, an expansion project is ongoing at FHPL post which the number of beds at the hospital would increase to 200 and new specialty services of IVF, Nephrology etc would be introduced. This project is expected to be completed in FY2022.

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 have an experience of more than a decade each in the healthcare industry. All of the directors of the company are practicing doctors. The promoters of the company are backed by qualified doctors. FHPL has tie ups with most Third Party Administrators (TPAs) in the industry and also caters to corporate clients. Corporate clientele of FHPL includes Bharat Heavy Electricals Limited (B.H.E.L), National Thermal Power Corporation Limited (NTPC), Northern railways etc.

Acuite believes that the Company will continue to derive benefit from its experienced management and corporate clientele over the medium term.

• Steady revenue growth

Since the operations began in 2015, the Company over its limited track record of operations has shown steady growth in its revenues driven by continuous improvement in bed occupancy. FHPL generated operating income of Rs.48.10 Cr in FY2021 (Provisional) as against Rs.40.73 Cr in FY2020 and Rs.33.09 Cr in FY2019. FY2021 revenues marked a CAGR of 17.05 percent over its Rs.29.96 Cr revenue in FY2018. The bed occupancy stood at 74.38 percent in FY2021 as against 71.21 percent in FY2020, 55 percent in FY2019 and 53.80 percent in FY2018. FHPL expects to generate a revenue of Rs.60-65 Cr in FY2022, driven by expected income of Rs.13-15 Cr from Covid-19 vaccination drive undertaken at the hospital and balance on account

of improved occupancies. FHPL has already earned a revenue of Rs.30 Cr in Q1FY2021 out of which Rs.7-8 Cr is from sale of vaccines.

Acuite expects the improvement in operating income of FHPL driven by sale of vaccines to also translate in improvement in FHPL's operating margins over the medium term.

• **Moderate financial risk profile**

FHPL's financial risk profile is moderate marked by modest net-worth and moderate debt protection metrics and gearing.

FHPL's net-worth stood at Rs.14.21 Cr as on March 31, 2021 (Provisional) against Rs.13.00 Cr as on March 31, 2020. The total debt stood at Rs.37.07 Cr as on March 31, 2021 (Provisional) which included long term borrowings of Rs.35.28 Cr and short term borrowings of Rs.1.79 Cr. The overall gearing stood at 2.61 times as on March 31, 2021 (Provisional) as against 2.71 times as on March 31, 2020 and 3.39 times as on March 31, 2019. The interest coverage improved to 2.37 times in FY2021 (Provisional) from 1.90 times in FY2020 and FY2019. Debt to EBITDA was recorded at 4.45 times in FY2021 (Provisional) as against 4.37 times in FY2020 and 4.77 times in FY2019. The average bank limit utilization for seven months ended June, 2021 stood at 38 percent.

Acuite expects FHPL's financial risk profile to remain moderate over the medium term.

Weaknesses

• **Working capital intensive nature of operations**

FHPL's operations continue to remain working capital intensive in nature as reflected by its Gross Current Asset (GCA) days of 201 days as on March 31, 2021 (Provisional) as against 195 days as on March 31, 2020 and 277 days as on March 31, 2019. The GCA days are primarily driven by high debtor days which stood at 166 days as on March 31, 2021 (Provisional) as against 125 days as on March 31, 2020 and 231 days as on March 31, 2019. FHPL is a non-aided hospital and is registered with most of the TPAs in the industry. Also majority of its clientele constitutes of corporates. Thus most patients treated at the hospital are covered under insurance plans and avail treatment under cashless facilities with payments being settled later by the TPA/Insurance companies. Thus, the debtor days of FHPL continue to remain high.

Acuite believes FHPL's ability to manage its working capital cycle over the medium term will remain a key rating sensitivity.

• **Regulatory and competition risk**

The healthcare sector functions under multiples layers of regulations of government and professional bodies. In view of the Covid-19 pandemic, regulatory restrictions and state intervention in the normal operations of hospitals has increased. However, FHPL being a non-aided hospital, could choose to run as a Non-Covid hospital. It temporarily shut its OPD, Dermatology and Dentistry services during the lockdown period but registered significant improvement in its occupancy rates during the second wave of Covid-19. The hospital recorded ~100% occupancy during the lockdown period of Q1FY2022. The hospital faces intense competition from several players in the city from small players as well as large players such as Kailash Hospitals – Noida.

Liquidity Position: Adequate

FHPL has adequate liquidity position marked by adequate net cash accruals to its maturing debt obligations. FHPL generated net cash accruals in the range of Rs.4.82 Cr - Rs.3.76 Cr through FY2021 (Provisional) while its debt obligation during the same period stood in the range of Rs.3.24 Cr -Rs.2.60 Cr. The cash accruals of FHPL are expected to be in the range of Rs.7.75 – Rs.10.45 Cr over the medium term, while its repayments are estimated to be in the range of Rs.5.00-8.30 Cr for the same period. The GCA days stood at 201 days as on March 31, 2021 (Provisional). The average bank limit utilization of FHPL's fund based facilities for the seven months' period ended June, 2021 stood at 38 percent. The unencumbered cash and bank balance was Rs.0.70 Cr as on March 31, 2021 (Provisional). Acuite believes that the liquidity of FHPL is likely to remain adequate over the medium term on account of adequate cushion between cash accruals and debt repayments and adequate unutilized working capital limits.

Material Covenants

None

Rating Sensitivities

- Lower than expected operating performance
- Deterioration in working capital cycle

Rating Outlook: Stable

Acuite believes that FHPL will maintain a stable outlook over medium term on account of experienced management, reputed clientele, steady revenue growth and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company achieves higher than expected improvement in its operating income and profitability while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of substantial reduction in its operating income, sharp decline in its operating margins and further stretch in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	48.10	40.73
PAT	Rs. Cr.	1.82	0.67
PAT Margin	(%)	3.78	1.65
Total Debt/Tangible Net Worth	Times	2.61	2.71
PBDIT/Interest	Times	2.37	1.90

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>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- 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 (Upto last three years)

Date	Name of the Instrument/Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
30-Jan-2020	Term Loan	Long Term	28.90	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BBB-/Stable (Assigned)
	Proposed Bank facilities	Long Term	0.10	ACUITE BBB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Union Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB-/Stable (Reaffirmed)
Union Bank of India	Term Loan	March, 2014	MCLR + 3.5%	June, 2026	23.69	ACUITE BBB-/Stable (Reaffirmed)
Union Bank of India	Working Capital Term Loan	September, 2020	7.50%	August, 2024	7.50	ACUITE BBB-/Stable (Assigned)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.81	ACUITE BBB-/Stable (Reaffirmed)

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