

Press Release

Felix Healthcare Private Limited

October 06, 2022



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to **'ACUITE BBB' (read as ACUITE Triple B)** from **'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'**.

Reason For Upgrade

The upgrade in the rating takes into consideration track record of the company along with substantial improvement in the top line of the business along with the margins. However, the financial risk profile of the company though moderated remains in the favourable position.

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

Strong Revenue Growth

Felix healthcare private limited despite being a non Covid hospital has shown substantial increase in the top line from Rs.50.24 Crore to Rs.100.75 Crore. This is on account of increase in the number of beds from 150 in FY21 to 200 in FY22, Further, FHPL has increased its occupancy from 74.38% in FY21 to 80% in FY22. In addition to this, the average revenue per bed has increased from Rs.16000 in FY21 to Rs.20000 in FY22. As a result, there is an improvement in EBITDA Margin from 14.83% in FY21 to 16.70% in FY22 and simultaneously reflects improvement in PAT Margin from 3.59% in FY21 to 8.28% in FY22. In FY23 on the back of better revenue per bed, opening up of new departments like IVF, nephrology and higher occupancy the hospital is expecting further growth.

Financial Risk Profile

The Financial risk profile of the company is marked by the net worth of Rs.21.68 Crore in FY22. The total debt of the company is Rs.52.65 Crore in FY22 from Rs.39.14 Crore in FY21 because company is going to undertake a project with a costing of Rs.91.5 Crore out of which total debt is of Rs.68.5 and rest Rs.23 by equity and internal accruals. On the back of improved profitability, the interest coverage ratio and debt service coverage ratio of the entity has also improved from 2.31 times and 1.20 times in FY21 to 5.30 times and 1.77 times in FY22 respectively and it is expected to improve in FY23 as well.

Weaknesses

Working Capital Operations

Working capital management of the company is marked by GCA Days at 166 in FY22 against 211 days in FY21. GCA Days has improved in FY22 on the back of improvement in debtor collection. Debtors days were stretched during Covid as the CGHS and SGHS were delaying payments going forward the debtor days will remain range bound to 120 days.

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. Additionally, the hospital faces intense competition from several players in the city from small players as well as large players.

Rating Sensitivities

- Substantial improvement in the top-line of business.
- Improvement in working capital management of the company resulting into improved liquidity

Material covenants

None.

Liquidity Position Adequate

The Liquidity profile of the company is adequate. FHPL generated net cash accruals in FY22 is Rs.11.34 crore against Rs.5 Crore. The cash accrual is expected to remain in the range of Rs. 16 Crore to Rs. 17 Crore over the medium term while its repayments are expected to remain in the range of Rs. 7 Crore to 9 Crore in FY 23 and FY24 respectively. The unencumbered cash and bank balance was at Rs.1.41 Crore. Acuité believes that the liquidity of the Company is likely to remain adequate over the medium term on account of moderate cash accruals against debt repayments and low unutilized bank limits.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	100.75	50.24
PAT	Rs. Cr.	8.34	1.80
PAT Margin	(%)	8.28	3.59
Total Debt/Tangible Net Worth	Times	2.43	2.93
PBDIT/Interest	Times	5.30	2.31

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

None

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Aug 2021	Proposed Bank Facility	Long Term	7.81	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	7.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	23.69	ACUITE BBB- Stable (Reaffirmed)
30 Jan 2020	Proposed Bank Facility	Long Term	0.10	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	28.90	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE BBB Stable Upgraded
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	27.70	ACUITE BBB Stable Upgraded
Union Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	8.90	ACUITE BBB Stable Upgraded

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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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