Press Release

Felix Healthcare Private Limited

February 22, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.00	ACUITE BBB | Stable | Assigned	-
Bank Loan Ratings	50.00	ACUITE BBB | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	125.00	-	-

Rating Rationale

Acuité has reaffirmed and assigned its long-term rating of **'ACUITE BBB' (read as ACUITE Triple B)** on the Rs.125.00 Cr bank facilities of Felix Healthcare Private Limited (FHPL). The outlook is **'Stable'**.

Rating Rationale
The rating takes into consideration track record of the company along with marginal improvement in the top line of the business and the margins. Further, the financial risk profile of the company remains moderate. However, the above mentioned strengths are partly offset by working capital intensive nature of operations along with execution risk of project which is on nascent stage currently.

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

Acuité 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 promotors 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.

Augmentation in Business risk Profile

The revenue of the company has increased to Rs 102.27 Crore in FY22 against Rs 50.24 Crore in FY21 which is supported by the increase in number of beds to 200 in FY22 from 150 in FY21. Further, the increase in revenue is also supported by increase in average revenue per bed to Rs 14,000 in FY22 against Rs 8,000 in FY21. The company has achieved the revenue of Rs 89.72 Crore till December 2022 and is expecting to generate a revenue of Rs 122.70 Crore in this fiscal year. The growth is driven by on an account of increased occupancy and revenue from per bed, along with this new services of IVF, Nephrology which has started in FY22 will also contribute in the profitability. Acuite' believes that the increase in beds and the new services added may continue to help in the revenue growth of the company.

Moderate Financial Risk Profile

The Financial risk profile of the company is moderate marked by the net worth of Rs.21.41 Crore in FY22 against Rs.13.34 Crore in FY21. The total debt of the company is Rs.52.61 Crore in FY22 against Rs.39.14 Crore in FY21 increase in debt is due to ongoing project with a costing of Rs.91.5 Crore out of which total debt is of Rs.68.5 Crore and rest Rs.23 Crore by equity and internal accruals. On the back of improved profitability, the interest coverage ratio and debt service coverage ratio of the entity has improved from 2.31 times and 1.20 times in FY21 to 5.11 times and 1.75 times in FY22 respectively. TOL/TNW ratio stood at 3.50 times in FY22 against 3.66 times in FY21. Further, the debt-equity ratio stood at 2.46 times in FY22 against 2.93 times in FY21. Acuite' believes that financial risk profile of the FHPL may continue to remain moderate with the debt-funded capex plans.

Weaknesses

Working Capital intensive nature of operations

Working capital management of the company is intensive marked by GCA Days at 175 in FY22 against 204 days in FY21. GCA Days has improved in FY22 on the back of improvement in debtor collection. Debtors days stood at 122 days in FY22 against 172 days in FY21 as they are stretched during Covid due to FHPL has registered with most of the TPA's in the industry as well as caters to government agencies wherein payments are received with some delay and now the payments are made in the given time frame which is within 120 days. Further, inventory days of the company stood at 7 days in FY22 against 6 days in FY21. On the other hand, the creditor days of the company stood at 40 days in FY22 against 117 days in FY21. However, Acuité believes FHPL's working capital operations may continue to remain intensive considering the higher receivable cycle.

Nascent stage of operations multi-speciality operations

The company has planned to launch the new project, the hospital building which will be adjacent to the Felix Healthcare Private will take a time frame of two years to get completed. However, the execution risk is associated with the project and revenue visibility is yet to be seen.

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.
- Timely Launch of new hospital.

Material covenants
None.

Liquidity Position
Adequate

The Liquidity profile of the company is adequate. FHPL generated net cash accruals in FY22 is Rs.11.22 crore against maturing debt obligation of Rs.5 Crore during the same tenure. The cash accrual is expected to remain in the range of Rs. 14 Crore to Rs. 16 Crore over the medium term while its repayments are expected to remain under the range of Rs.10 Crore in FY 23 and FY24 respectively. The liquidity position of the company is adequate as the bank loan for the construction of hospital is already disbursed and is having the moratorium till March 2025. The unencumbered cash and bank balance was at Rs.1.71 Crore. The average bank limit utilization stood 75% of last 10 months ending December 2022.
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 moderately 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 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	102.27	50.24
PAT	Rs. Cr.	8.07	1.80
PAT Margin	(%)	7.89	3.59
Total Debt/Tangible Net Worth	Times	2.46	2.93
PBDIT/Interest	Times	5.11	2.31

Status of non-cooperation with previous CRA (if applicable)
Brickwork Ratings vide its press release dated 17.03.2022, had reaffirmed the company to BWR BB-; INC

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, Acuité 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
06 Oct 2022	Proposed Bank Facility	Long Term	2.40	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Working Capital Term Loan	Long Term	8.90	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Term Loan	Long Term	27.70	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Cash Credit	Long Term	11.00	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BBB | Stable | Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB | Stable | Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.40	ACUITE BBB | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB | Stable | Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	27.70	ACUITE BBB | Stable | Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	68.50	ACUITE BBB | Stable | Assigned
Union Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	8.90	ACUITE BBB | 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.