



Press Release
Felix Healthcare Private Limited
January 05, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	124.40	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	0.60	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	125.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.125.00 Cr bank facilities of Felix Healthcare Private Limited (FHPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation takes into account the stable operating and financial performance of the company marked by stable operating income and improved profitability margins. The company has achieved revenues of Rs.116.98 Cr in FY2023 as against of Rs.102.27 Cr in FY2022 driven by higher occupancy and revenue per bed. The operating margin of the company increased to 23.26 per cent in FY2023 as against 16.38 per cent in FY2022. The PAT margin also rose to 12.47 per cent in FY2023 as against 7.89 per cent in FY2022. The financial risk profile of the company is moderate with gearing ratio of 1.56 times as on March 31, 2023 as compared to 2.46 times over the previous year. The rating also factors the experienced management and reputed customers. However, the rating is constrained by working capital intensive nature of operations along with execution risk of project. Going forward, the ability to complete the project within the stipulated timeline will be a key rating sensitivity.

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 200 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 300 and new specialty services of IVF, Nephrology etc would be introduced. This project is expected to be completed in FY2025.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Felix Healthcare Private Limited (FHPL) to arrive at this rating.

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.

Augmentation in Business Risk Profile

The revenue of the company has increased to Rs 116.98 Crore in FY2023 as against Rs.102.27 Crore in FY2022 and Rs.50.24 Crore in FY2021 which is supported by the increase in number of operating beds to 200 in FY2022 and average length of stay (ALOS). The company has achieved the revenue of Rs.82.41 Crore in 7MFY2024 (Provisional). The operating margin of the company increased to 23.26 per cent in FY2023 against 16.38 per cent in FY2022. The PAT margin also rose to 12.47 per cent in FY2023 against 7.89 per cent in FY2022. The growth is driven by on an account of increased occupancy and revenue from per bed, along with the new services of Nephrology which has started in FY2023. The average revenue per bed increased to Rs 15250 in FY2023 against Rs.14000 in FY2022.

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 tangible net worth of Rs.40.86 Crore as on March 31, 2023 against Rs.21.41 Crore as on March 31, 2022. The total debt of the company is Rs.63.78 Crore as on March 31, 2023 comprising of long term debt of Rs.33.94 Cr, Unsecured loans from directors of Rs.4.73 Cr, short term debt of Rs.14.97 Cr and maturing portion of long term borrowings of Rs.10.19 Cr. Moreover, the company is constructing a new wing at a total project cost 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, out of which debt drawn till March 31, 2023 stood at Rs.10.59 Cr The debt equity ratio improved and stood moderate at 1.56 times as on March 31, 2023 as compared to 2.46 times over the previous year. On the back of improved profitability, debt protection metrics stood above average with Interest coverage ratio (ICR) stood at 6.73 times in FY2023 as against 5.11 times in FY2022. However, the Debt Service Coverage Ratio (DSCR) stood moderate at 1.90 times in FY2023. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.29 times in FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.30 times as on March 31, 2023 as against 3.50 times as on March 31, 2022.

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 of 193 days as on March 31, 2023 as against 175 days as on March 31, 2022. The high GCA days are on account the debtor period. The debtor's days stood high at 133 days as on March 31, 2023 as compared to 122 days as on 31st March 2022. The debtor's days are stretched FHPL patient's has registered with most of the TPA's in the industry as well as caters to government agencies. The inventory days of the company stood comfortable at 9 days in March 31, 2023 as against 7 days as on March 31, 2022. On the other hand, the creditor days of the company stood at 92 days in March 31, 2023 against 40 days in March 31, 2023. The fund based limit utilisation of FHPL stood low at 21.16 percent over the last six months ended October, 2023. However, Acuite believes FHPL's working capital operations may continue to remain intensive considering the higher receivable cycle.

Project risk of ongoing multi-speciality operations

The company has planned to launch the new project, the hospital building which will be

adjacent to the Felix Healthcare will take a time frame of one year 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 revenue from operations while maintaining profitability margin and capital structure.
- Improvement in working capital management of the company resulting into improved liquidity.
- Timely completion of ongoing capital expenditure.

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Liquidity Position: Adequate

The Liquidity profile of the company is adequate marked by net cash accruals of Rs.18.69 Crore as on March 31, 2023 as against long term debt repayment of Rs.10.14 Crore over the same period. The FHPL is expected to generate NCAs in the range of Rs.23.42 -30.23 Crore against Rs.8.32 Crore CPLTD. The liquidity position of the company is adequate as the bank loan for the construction of hospital is already sanctioned and is having the moratorium till March 2025. The unencumbered cash and bank balance was at Rs.3.41 Crore and the current ratio stood at 1.22 times as on March 31, 2023. The average bank limit utilization stood 21.16% of last 6 months ending October 2023.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	116.98	102.27
PAT	Rs. Cr.	14.59	8.07
PAT Margin	(%)	12.47	7.89
Total Debt/Tangible Net Worth	Times	1.56	2.46
PBDIT/Interest	Times	6.73	5.11

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
22 Feb 2023	Proposed Bank Facility	Long Term	2.40	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	68.50	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	27.70	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.50	ACUITE BBB Stable (Assigned)
	Working Capital Term Loan	Long Term	8.90	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB Stable (Reaffirmed)
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
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE A3+ Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.40	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.81	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	22.71	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	68.50	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	7.98	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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