

Press Release

Rajyalakshmi Healthcare Private Limited

July 06, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	58.60	ACUITE BBB+ Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	58.60	-	-

Rating Rationale

Acuite has reaffirmed & Withdrawn its long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B 'plus'**) on the Rs.58.60 crore bank facilities of Rajyalakshmi Healthcare Private Limited (RHPL; part of Sunshine Hospitals Group)

The withdrawal is on account of client's request and receipt of NOC from the lead banker. The withdrawal is in accordance with Acuite's policy on withdrawal of rating.

About the Company

Incorporated in 2014 and based in Gachibowli, Hyderabad (Telangana), Rajyalakshmi Healthcare Private Limited (RHPL) is a 100 percent wholly owned subsidiary of Sarvejana Healthcare Private Limited (SHPL). RHPL operates a 250 bed, multi speciality hospital with 100 percent operational beds and is operating on a 1,70,000 sq ft of long term leased premises. SHPL, the holding company, is promoted by Dr. Venkata Gurava Reddy Annapareddy and his family members.

About the Group

Incorporated in 2008 and based in Secunderabad (Telangana), Sarvejana Healthcare Private Limited (SHPL) is promoted by Dr. Venkata Gurava Reddy Annapareddy and his family members. SHPL operates a 320 bedded, multi-speciality flagship hospital located in Secunderabad, in the centre of Hyderabad. The present operating bed capacity is 290 (Census) and 30 being non-census (day care and dialysis). It operates on 2,50,000 sq ft of long term leased premises. SHPL is positioned as centre of excellence for Orthopedics with dedicated surgeons for niche sub- specialties like spine & shoulders. SHPL has two 100 percent wholly-owned subsidiaries - Suryateja Healthcare Private Limited (STHPL) and Rajyalakshmi Healthcare Private Limited (RHPL). In 2014, the promoter group incorporated Suryateja Healthcare Private Limited (STHPL), a 75 bedded multispeciality hospital located in Karimnagar, Telangana. The present operating bed capacity is 45 (census) and 35 being non-census (day care and dialysis). It is operating on a 26,000 sq ft of long term leased premises. Later in 2015, the group started Rajyalakshmi Healthcare Private Limited (RHPL) in Gachibowli,

Hyderabad, Telangana. The types of multi-speciality services these hospitals offer are Anaesthesiology, Bariatric Surgery, Cardiology, Dentistry, Dermatology, ENT, Gastroenterology, Internal Medicine and Diabetology, Nephrology, Neurosciences, Obstetrics and Gynaecology, Ophthalmology, Orthopaedics, Paediatrics, Physiotherapy, Psychiatry, Radiology, Respiratory, Rheumatology, Spine Care, Urology and many others. The sunshine hospitals group was taken over by Krishna Institute of Medical Science Limited (KIMS) group hospitals, which is one of the largest health care groups in Andhra Pradesh and Telangana. KIMS has acquired majority stake of 51.07% in Sarvejana hospitals (Sunshine Group) through equity shares

Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Sarvejana Healthcare Private Limited (SHPL), Suryateja Healthcare Private Limited (STHPL) and Rajyalakshmi Healthcare Private Limited (RHPL) together referred to as the 'Sunshine Hospitals Group (SSHG)'. The consolidation is in the view of common management, similar line of business, strong operational and financial linkages between the entities. Extent of consolidation: Full.

Key Rating Drivers

Strengths

Promoters' extensive experience in healthcare industry;

Established regional player aided by strong chain pedigree in Telangana and Andhra Pradesh. Started by a renowned 'orthopedics' surgeon Dr. A. V. Gurava Reddy in 2008, Sunshine Hospitals Group (SSHG) is one of the reputed and well-known healthcare groups in Andhra Pradesh and Telangana. As of FY2021, SSHG operates 3 multi-specialty hospitals with a total bed capacity of 645, including over 585 operational beds (census beds excluding day care and dialysis) and offers a comprehensive range of healthcare services across 20+ specialties and super specialties. These include orthopedics, cardiac sciences, Pulmonology and mother & child care. The group has a strategic focus in the states of Telangana and Andhra Pradesh healthcare market where there exist significant and growing need for quality and affordable healthcare services and has gained strong understanding of regional nuances, customer culture and the mindset of medical professionals. Dr. A. V. Gurava Reddy (Managing Director) is the Chief Joint Replacement Surgeon at SSHG and has 25 years of experience in the field of orthopaedics with specialization in joint replacement surgeries. Out of 25 years of experience, Dr. Reddy has spent 10 years performing surgeries in United Kingdom from 1989 to 1999 and further has acquired MCh from Liverpool and holds triple FRCS degrees from Glasgow, Edinburgh & London. Dr. Reddy performs over 4000 Joint Replacements (Hip, Knee and Shoulder, both Primary and Revision) in a year, which is the second highest in South Asia and is supported by an experienced team of 100+ doctors and paramedical staff. With promoter's extensive industry experience and established existence, SSHG has been able to establish a longstanding relationship with its key suppliers. Acuité believes that the promoter's extensive industry experience, diversified offerings via various specialties treatment and established relationships with its suppliers will aid group's business risk profile over the medium term.

Diversified revenue mix; multiple offerings in various specialties; change in revenue proportion on account of Covid-19 pandemic

SSHG operates 3 multi-speciality hospitals offering services in Anaesthesiology, Bariatric Surgery, Cardiology, Dentistry, Dermatology, ENT, Gastroenterology, Internal Medicine and Diabetology, Nephrology, Neurosciences, Obstetrics and Gynaecology, Ophthalmology, Orthopaedics, Paediatrics, Physiotherapy, Psychiatry, Radiology, Respiratory, Rheumatology, Spine Care, Urology and many others. The top speciality treatment in terms of revenue contribution has been Orthopaedic, Cardiology and Internal medicine for SHPL and STHPL.

Whereas, for RHPL, Orthopaedic, Neurosurgery and Internal medicine are the top speciality. However, in FY2020 and FY2021, the revenue proportion (IP counts) from specialties decreased and internal medicine increased on account of deferment of pre-planned surgeries and increasing internal medicine revenue portion due to treatment of Covid-19 patients on account of government's instructions for priority over the Covid-19 patients. Acuité expects the revenue proportion to gradually return back to pre-covid levels on account of group's measure to focus on its core area of Orthopaedics along with increased focus on Cardiology and pulmonology. Further, Acuité believes that SSGH's diversified service offering ensure low concentration on revenue mix and will ensure strong business profile over the medium to long term

Consistent Growth in revenue and operations:

The Sunshine hospitals group (SHG) has been consistent over the years in revenue generation. The company on consolidated basis generated Rs.481.55 Cr of revenue in FY22 as per the Provisionals. The sunshine hospitals group was taken over by Krishna Institute of Medical Science Limited (KIMS) group hospitals, which is one of the largest health care groups in Andhra Pradesh and Telangana. KIMS has acquired majority stake of 51.07% in Sarvejana hospitals (Sunshine Group) through equity shares. The acquisition deal is expected to provide an enhanced platform for KIMS to further strengthen its presence in Hyderabad region.

Healthy Financial Risk profile:

The financial risk profile of SHG is healthy marked by healthy gearing and debt protection metrics. Net worth of the company stood at Rs.284.34 Cr as on March 31, 2022(Provisionals) as against Rs 125.02Cr on March 31, 2021. Gearing levels (adjusted Debt to equity) stood healthy at 0.28 times as on March 31, 2022(Provisionals) as against 1.12 times on March 31, 2021. Interest coverage ratio improved to 7.83 times as on March 31, 2022(Provisionals) from 5.24 times on March 31, 2021. Debt service coverage ratio(DSCR) stood at 3.74 times as on March 31, 2022 (Provisionals). Total outside liabilities to total net worth (TOL/TNW) stood at 0.69 times as on March 31, 2022 (Provisionals) against 1.97 times as on March 31, 2021.

Weaknesses

Exposure to intense competition in the healthcare industry

The Indian healthcare sector is subjected to intense competition on account of presence of several organized as well unorganized players in the industry ranging from hospitals, clinics, diagnostic chains and dispensaries of varying sizes with different specialties. The group faces intense competition from Apollo Hospitals, Care Hospitals and Yashoda Hospitals etc. in the southern region of the country. Existing or new competitors could try to compete for patients by exerting pricing pressures on some or all of SSGH's services by pricing their services at a significant discount to the group's offering services with greater convenience or better quality. Acuité believes the recent takeover of the group by KIMS (one of the largest health care groups in Andhra Pradesh & telangana) and change in management will improve the ability to sustain the competition.

Rating Sensitivities

- Sustainable improvement in Leverage and Solvency position of the group.
- Sustainable improvement in Gross current assets (GCA) days

Material covenants

None

Liquidity: Adequate

Sunshine Hospitals group has adequate liquidity. The group has repaid all the outstanding term loans and other bank facilities as on March 31, 2022. The net cash accruals of the group stood at Rs.104.15Cr as on March 31, 2022. Current Ratio of the group stood at 2.03 times. Unencumbered cash and bank balances stood at Rs. 7.63Cr as on March 31, 2022.

Outlook

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	481.55	417.75
PAT	Rs. Cr.	71.62	36.23
PAT Margin	(%)	14.87	8.67
Total Debt/Tangible Net Worth	Times	0.28	1.12
PBDIT/Interest	Times	7.83	5.24

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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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
23 Aug 2021	Term Loan	Long Term	31.43	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	0.85	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	3.11	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	13.12	ACUITE BBB+ Stable (Assigned)
	Working Capital Term Loan	Long Term	10.06	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	0.03	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
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.03	ACUITE BBB+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Term Loan	23-08-2016	8.50	23-11-2028	31.43	ACUITE BBB+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Term Loan	23-08-2016	8.50	23-11-2028	13.12	ACUITE BBB+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Term Loan	31-12-2019	8.50	30-04-2025	3.11	ACUITE BBB+ Reaffirmed & Withdrawn
Siemens Financial Services Pvt. Ltd.	Not Applicable	Term Loan	28-09-2017	10.00	28-09-2022	0.85	ACUITE BBB+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	12-07-2020	8.00	12-07-2026	10.06	ACUITE BBB+ Reaffirmed & Withdrawn

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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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