

Press Release

Sparsh Hospitals And Critical Care Private Limited

March 24, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	12.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the **Rs.12.00 Cr** bank facilities of Sparsh Hospitals and Critical Care Private Limited (SHCCPL). The outlook is 'Stable'.

The rating draws strength from the experienced management, steady revenue growth and above average financial risk profile of SHCCPL. These strengths are partially offset by its working capital intensive nature of operations of the company and intense competition along with regulatory risk associated with healthcare industry.

About the Company

Sparsh Hospitals and Critical Care Private Limited (SHCCPL), incorporated in May 2007 by Dr. Priyabrata Dhir, is a healthcare provider with a 100-bed hospital (Sparsh Hospital & Critical Care) in Bhubaneswar, Odisha. Sparsh Hospitals is an ISO 9001:2015 multi-specialty hospital with cutting-edge technology. The hospital provides medical treatments in a variety of specialties, including neurology, neurosurgery, orthopaedics, and oncology, among others. The hospital is affiliated to a number of reputed doctors who provide medical services to patients from Odisha and nearby states.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SHCCPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management

SHCCPL was founded in Bhubaneswar, Odisha, by Dr. Priyabrata Dhir, who is also the hospital's Chairman and Managing Director. Dr. Priyabrata Dhir has over a decade of expertise in the healthcare field and currently oversees the hospital's day-to-day operations. The key managerial personnel of the company includes Dr. Ghanshyam Biswas, who has over 20 years of expertise in the medical field, and other directors who are equally experienced

and skilled experts.

The vast experience of the promoter has enabled the company to maintain healthy relations with reputed client like Airport Authority of India (AIA), Food Corporation of India (FCI), National Aluminum Company Ltd. (NALCO), Indian Oil and National Thermal Power Corporation Limited (NTPC) etc.

Acuité believes that the long track record of operations will benefit the company going forward.

Sound business risk profile backed by improving bed occupancy

The Company has shown steady growth in its revenues driven by continuous improvement in bed occupancy. The bed occupancy stood at 76.40 per cent in FY 2021 as against 75.60 per cent in FY 2020, 73.10 per cent in FY 2019. The company has achieved revenues of Rs. 50.66 Cr in FY2021 as compared to revenues of Rs. 50.09 Cr in FY2020. The turnover of the company has been growing at a CAGR of 2.44 per cent from FY19 to FY21.

The regular healthcare business has seen headwinds over the last one year owing to a drop in patient footfalls, lower revenues per bed due to the pandemic and deferment of high-margin elective surgeries. Nevertheless, it is witnessing a strong revival in FY22 with rising patient footfalls and normalization of elective surgeries. With patient footfalls in hospital beginning to normalize and out-patient volumes already returning to pre-Covid levels, SHCCPL's bed occupancy is set to improve, going forward.

Above average financial risk profile

The financial risk profile of the company is marked by moderate networth, comfortable gearing level and healthy debt protection metrics. The tangible networth stood at Rs 44.02 Cr as on 31st March, 2021 as compared to Rs 40.66 Cr in the previous year. The gearing (debt-equity) stood comfortable at 0.42 times in FY 2021 as compared to 0.46 times in the previous year. The coverage indicators stood healthy marked by Interest coverage ratio (ICR) which stood at 4.37 times for FY 2021 as compared to 3.21 times in FY 2020. Debt service coverage ratio (DSCR) stood at 1.48 times in FY 2021 as compared to 1.41 times in FY 2020. Net cash accruals to total debt (NCA/TD) stood at 0.25 times in FY 2021. The Debt-EBITDA stood at 2.38 times in FY 2021. Acuité believes that going forward the financial risk profile of the company will improve further backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 337 days as on March 31, 2021 similar as against 295 days as on March 31, 2020. The high GCA days are on account of high debtor period which stood at 136 days as on March 31, 2021 as compared to 131 days as on 31st March 2020. The debtors are primarily high due to the inherent nature of the business. However, the inventory period stood comfortable at 8 days as on 31st March, 2021 against 9 days in the previous year. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from the high debtor level.

Stringent regulatory framework, healthcare sector subject to reputational risks

Despite the increasing trend of privatization of healthcare sector in India, the company continues to operate under stringent regulatory control. Accordingly, regulatory challenges continue to pose a significant risk to private healthcare institutions, as they are highly susceptible to changes in regulatory framework. Healthcare is a highly sensitive sector, where any mishandling of a case or negligence on the part of any doctor and/or staff of the unit can lead to an adverse impact on the entity's reputation.

Rating Sensitivities

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

Material covenants None

Liquidity Position: Adequate

The company's liquidity is adequate marked by net cash accruals stood at Rs. 4.68 Cr as on March 31, 2021 as against long term debt repayment of Rs. 2.60 Cr over the same period. The cash and bank balances of the company stood at Rs. 0.13 Cr as on March 31, 2021 as compared to Rs. 0.06 Cr as on March 31, 2020. The current ratio stood at 1.61 times as on March 31, 2021. However, the fund based limit utilisation remained moderately high at 84 per cent over twelve months ended February, 2022. The highly working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 337 days as on March 31, 2021 as against 295 days as on March 31, 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that SHCCPL will maintain a stable outlook over medium term on account of experienced management, 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	50.66	50.09
PAT	Rs. Cr.	3.35	3.75
PAT Margin	(%)	6.62	7.48
Total Debt/Tangible Net Worth	Times	0.42	0.46
PBDIT/Interest	Times	4.37	3.21

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

Infomercials, vide its press release dated February 04, 2022 had denoted the rating of Sparsh Hospitals & Critical Care Private Limited as 'IVR BB; ISSUER NOT COOPERATING'

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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	5.65	ACUITE BBB- Stable Assigned
Indian Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	6.35	ACUITE BBB- Stable Assigned

Contacts

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About Acuité Ratings & Research

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