



Press Release
DR. NAMJOSHI HOSPITAL PRIVATE LIMITED
August 02, 2023
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	230.00	ACUITE BB+ Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	230.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs.230.00 Cr bank facilities of Dr. Namjoshi Hospital Private Limited(DNHPL). The outlook is '**Stable**'.

Rationale for downgrade

The rating downgrade is on account of deteriorated financial risk profile of the company primarily driven by decline in profitability margins leading to stretched liquidity position. The operating profit margin of the company stood at 16.04% in FY2023 (prov.) as against 19.52% in FY2022 as against 25.21% in FY2021. The deterioration in profitability of the company further impacted the RoCE and RoE levels. The RoCE level declined to 10.58% in FY2023(prov.) as against 12.34% in FY2022 and 18.34% in FY2021 and the RoE level declined to 8.45% in FY2023(prov.) as against 13.85% in FY2022 and 30.22% in FY2021. The decline in profitability margins also had a negative impact on the coverage ratios of the company. The interest coverage ratio (ICR) declined to 1.43 times as on March 31, 2023 (prov.) as against 1.60 times as on March 31, 2022 and 2.12 times as on March 31, 2021. The debt service coverage ratio declined to 0.98 times as on March 31, 2023 (prov.) as against 1.21 times as on March 31, 2022 and 1.58 times as on March 31, 2021. The liquidity position of the company is stretched as the company generated inadequate net cash accrual of Rs. 9.26 Cr in FY2023 (prov.) as against the debt obligation of Rs. 10.07 Cr. The gap was funded through the compulsory convertible debenture (CCD) issued. The rating continues to factor in the experienced management and long track record of operations.

About the Company

Established in 1999, Dr. Namjoshi Hospital Pvt Ltd (DNHPL) is a multispecialty hospital in Mumbai. DNHPL has four hospitals located in Mumbai, first in Juhu, second in Andheri East with a capacity of 100 beds each, third one in Kurla with a capacity of 100 beds and fourth one in Malad with current operational capacity of 100 beds. All these hospitals operate in the name of Criticare Multispeciality Hospital and provide medical treatments for various specialities ranging from general pathology to cardiology, Gynaecology, orthopaedics, trauma care, etc

Analytical Approach

Acuite has considered the standalone approach of the business and financial risk profile of DNHPL while arriving at its rating.

Key Rating Drivers

Strengths

Experienced Management and long track record of operations

DNHPL was founded by Dr. Deepak Namjoshi (Director), who is a Cardiologist and Chest Physician. Dr. Namjoshi has an extensive experience of over 3 decades as a cardiologist and is also actively involved in the day-to-day activities of the hospitals. The company also has around 190 visiting and inhouse doctors with an extensive experience across various specialities. The company also has maintained healthy relations with various public and private sectors corporates like Reserve Bank of India (RBI), Tata Motors, Mahindra and Mahindra, L&T group, etc.

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

Moderate scale of operations

DNHPL has four hospitals located in Mumbai, first in Juhu, second in Andheri East with a capacity of 100 beds each, third one in Kurla with a capacity of 100 beds and fourth one in Malad with current operational capacity of 100 beds. All these hospitals operate in the name of Criticare Multispeciality Hospital and provide medical treatments for various specialities ranging from general pathology to cardiology, Gynaecology, orthopaedics, trauma care, etc.

For the hospital located at Malad, DNJPL had acquired 50% stake in Clublink (India) Pvt Ltd. which was a club located in Malad and was renovated by the company into new hospital facility. This hospital became operational since February 2023. The hospital located at Kurla was acquired from Kohinoor hospital in Kurla and the hospital became operational since December 2021 under DNHPL.

The revenue stood at Rs.205.05 Cr. in FY2023 (prov.) as against Rs.151.44 Cr in FY2022. The increase in the revenue is on account of addition of the hospital at Malad. The average length of stay is 4 to 5 days for all the hospitals. The occupancy level for its old hospitals at Juhu and Andheri, the occupancy levels are 80 to 85%. For kurla hospital which started in FY2022, the occupancy level ranges from 45 to 55% and for Malad hospital, which started in FY2023 the current occupancy level is 35%.

Acuite believes that the occupancy level of the newly started hospital is expected to improve going ahead, leading to an increase in scale of operations.

Weaknesses

Deteriorating financial risk profile

The financial risk profile of the company deteriorated primarily on account of decline in profitability margins. The operating profit margin of the company stood at 16.04% in FY2023 (prov.) as against 19.52% in FY2022 as against 25.21% in FY2021. The deterioration in profitability of the company further impacted the RoCE and RoE levels. The RoCE level declined to 10.58% in FY2023(prov.) as against 12.34% in FY2022 and 18.34% in FY2021 and the RoE level declined to 8.45% in FY2023(prov.) as against 13.85% in FY2022 and 30.22% in FY2021.

The tangible net worth of the company stood at Rs. 36.12 crore as on March 31, 2023 (prov.) as against Rs. 33.06 crore as on March 31, 2022. The gearing level of the company stood high at 6.49 times as on March 31, 2023(prov.) as against 6.95 times as on March 31, 2022. The decline in profitability margins also had a negative impact on the coverage ratios of the company. The interest coverage ratio (ICR) declined to 1.43 times as on March 31, 2023 (prov.) as against 1.60 times as on March 31, 2022 and 2.12 times as on March 31, 2021. The debt service coverage ratio declined to 0.98 times as on March 31, 2023 (prov.) as against 1.21 times as on March 31, 2022 and 1.58 times as on March 31, 2021.

Highly fragmented and competitive industry

The company operates in a highly competitive and highly regulated healthcare industry. The company faces intense competition on account of the rising pool of qualified healthcare

professionals supported by increased investment by the government in the healthcare infrastructure.

Rating Sensitivities

- Sustenance of the scale of operations and improving profitability margins
- Any further deterioration in financial risk profile

Material covenants

None

Liquidity Position

Stretched

The liquidity position of the company is stretched on account of inadequate net cash accrual against the maturing debt obligations. The company generated net cash accrual of Rs. 9.26 Cr in FY2023 (prov.) as against the debt obligation of Rs. 10.07 Cr. Going ahead, the net cash accrual is expected to be in the range of Rs. 15.63 Cr to Rs. 18.70 Cr and maturing debt obligations in the range of Rs. 10.88 Cr to Rs. 11.94 Cr. The gap was funded through the compulsory convertible debenture (CCD) issued. The current ratio of the company stood at 1.28 times as on March 31, 2023(prov.). The unencumbered cash and bank balances stood at Rs. 2.25 Cr. as on March 31, 2023 (prov.)

Outlook: Stable

Acuité believes that the outlook of the DNHPL will remain 'Stable' over the medium term on account of experienced management and improving scale of operations. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues while improving profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration of its financial risk profile and liquidity

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	205.05	151.44
PAT	Rs. Cr.	3.05	4.58
PAT Margin	(%)	1.49	3.02
Total Debt/Tangible Net Worth	Times	6.49	6.95
PBDIT/Interest	Times	1.43	1.60

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
10 May 2022	Term Loan	Long Term	98.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	45.17	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	86.83	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
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	45.17	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	86.83	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
Bharat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	98.00	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)

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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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