

## Press Release

### Medicant Hospital And Research Centre Private Limited

October 12, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	156.91	ACUITE B+   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	156.91	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 156.91 Cr bank facilities of Medicant Hospital and Research Centre Private Limited (MHCPL). The outlook is '**Stable**'.

The rating reflects the company's exposure to risks related to its ongoing project and expected leveraged capital structure. These weaknesses are partially offset by the extensive experience of the directors in the healthcare hospitals industry and financial closure from Bank.

## About the Company

Medicant Hospital and Research Centre Private Limited (MHCPL) is a New Delhi based company incorporated on 23rd Nov 2016. The directors are Dr. Majid Ahmed Talikoti, Dr. Jahan Ara Talikoti, Dr. Uma Kishore, Rajesh Kumar, Shiwani and Jagdish Teli. MHCPL is setting up a 315-bed Super Multi speciality hospital at Bokaro, Jharkhand with total investment of around Rs. 202.95Cr. The hospital is envisioned to have the latest technology, advanced machines apart from being NABH (National Accreditation Board for Hospitals & Healthcare Providers) and NABL (National Accreditation Board for Testing and Calibration Laboratories) accredited. MHCPL is scheduled to commence its project in April 2023.

## Analytical Approach

Acuite has considered the standalone business and financial risk profiles of MHCPL to arrive at the rating

## Key Rating Drivers

### Strengths

**Favourable location expected to support occupancies buoyed by stable long-term industry outlook**

The proposed hospital has location advantage of being located at proximity to Bokaro railway station and upcoming airport which will support the occupancy rates. Further, the

extensive experience of the directors, their strong understanding of the market dynamics and expected healthy relationships with suppliers and customers will support the business. However, the promoters' lack of experience in running a hospital exposes the company to operational risk. Moreover, Acuité derives comfort from the stable demand outlook for healthcare services in the country with widening medical insurance coverage, growing awareness for healthcare, under-penetration of healthcare services, technological improvements and higher incidence of lifestyle diseases.

### **Weaknesses**

#### **Expected highly leveraged capital structure**

The company's capital structure is expected to remain below average marked by low networth base and high gearing over the medium term. However, the tangible net worth of the company improved to Rs.20.09 crore as on 31st March, 2022 due to equity infusion by the promoters. Gearing of the company will increase and is expected to remain at high levels in FY2023-24 as the company plans to avail long term facility from bank for its pending construction, plant and machinery purchase and installation. The total cost of project is envisaged at Rs.202.95 Cr which is to be funded partly through Rs.143.91 Cr term loan from Punjab National Bank and remaining from promoter's contribution. The financial closure has already been achieved. In this project, up to August 2022, the company has incurred Rs.41.27 Cr which has been funded by term loan of Rs. 10.96 Cr. and promoter's funding of Rs. 30.31 Cr. In FY23, the company is expected to use the remaining sanctioned amount, and with this the gearing level is expected to increase in FY23. The promoters are resourceful and will infuse any incremental funding requirement if the situation arises. The scheduled time for completion of the project is April 2023. Acuité believes that going forward the financial risk profile of the company is expected to be below average due to aggressive capital structure over the medium term.

#### **Exposure to implementation risk due to early stages of project development**

MHRCPL commenced the project in November 2020 and has already completed the hospital building as on August 2022. The company is exposed to execution risk as ~80 per cent of the project cost is yet to be incurred. The management expects the hospital to commence operations in the beginning of April 2023. Ability to execute the project in a timely manner with no cost or time overruns and early stabilization of the project are key credit sensitivities. The company is expected to face moderate demand risk, as the industry is highly fragmented. It will also be exposed to intense competition from other corporate hospitals. Acuité believes that the timely completion of the project at the envisaged cost would be a key monitorable.

#### **Highly regulated nature of healthcare industry**

The healthcare industry is regulated by several policies and bodies in terms of pricing, quality control, safety and health standards, and several other certifications and control standards. The company has to undergo for the necessary approvals and certifications, further the same has to be regularly upgraded for smooth functioning of their business. Any changes or regulations by the regulatory bodies may hamper the business of the companies prevailing in the industry.

### **Rating Sensitivities**

- Timely completion of the project without any cost or time overrun
- Timely stabilisation of operations

### **Material covenants**

None

**Liquidity Position: Stretched**

The company is required to create debt service reserve account (DSRA) upfront upon achieving COD for meeting three months' instalment and interest servicing. However, FY24, being the early stage of operations along with limited experience of the promoters in hospital business, the company might incur operating losses and the hospital's debt repayments are likely to put pressure on cash flows. But, Net cash accrual is expected to be adequate, post stabilization of operations. Moreover, the promoters are expected to infuse equity and unsecured loans to support the business. The company has also applied for working capital limit. However, timely implementation of the project and generation of expected cash accrual will be key rating sensitivity factors.

**Outlook: Stable**

Acuite believes that MHCPL will maintain a 'Stable' outlook on the basis of the positive outlook in the health care industry. The outlook may be revised to 'Positive' in case of timely stabilisation of operations. Conversely, the outlook may be revised to 'Negative' in case of slippages in project execution, significant cost over-run resulting in deterioration in the liquidity and leverage position on a prolonged basis.

**Other Factors affecting Rating**

None

**Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.12)	(0.02)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.21
PBDIT/Interest	Times	(739.32)	(9727.80)

**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>

**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
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	143.91	ACUITE B+   Stable   Assigned
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	13.00	ACUITE B+   Stable   Assigned

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### About Acuité Ratings & Research

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