

## Press Release

Sri Anu Hospitals Limited (Erstwhile Sri Anu Hospitals Private Limited)

January 25, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	54.82	ACUITE BB-   Stable   Assigned	-
Bank Loan Ratings	5.18	-	ACUITE A4   Assigned
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of **ACUITE A4**(read as **ACUITE A four**) to the Rs.60 Cr bank facilities of Sri Anu Hospitals Ltd (SAHL). The Outlook is '**Stable**'.

### Rationale for the rating

The rating assigned reflects the established market position with strong pedigree in Andhra Pradesh along with diversification across various specialities. However, the rating is constrained by moderate financial risk profile and utilization of short term fund for the capex. Further, it factors in the competition from other hospitals and exposure to regulatory risk.

### About the Company

Sri Anu Hospitals Private Limited established by Dr. Gajula Ramesh in 2012 in Vijayawada, Andhra Pradesh, operates a chain of multispeciality hospitals across Vijayawada, with an aggregate bed capacity of over 400 hospital beds. Anu's recognition as a multispecialty tertiary hospital chain in the healthcare industry is envisioned by its founder.

### About the Group

Anu mybaby hospital, Vijayawada is incorporated on 09-01-2021. It provides treatment for four NICU (Neonatal Intensive care units) facilities namely 1. Obstetrics, 2. Gynaecology 3. Paediatrics 4. Fertility(IVF) Hospital is equipped with the facilities like mobile maternity, vaccination units, emergency ambulance services with built-in bud suits, and mobile unit ICU to transfer sick neonates. It is the only hospital in Krishna district, Andhra Pradesh to provide level four NICU facilities.Hospitals' mobile ICU units serve suburban and rural populations, transferring and caring for pregnant women at their homes. Anu MyBaby Hospital also pioneered new methods of childbirth, such as water births and painless normal delivery. The hospital has a specialist team of neonatologists and paediatricians who use advanced technology to care for newborns and manage newborns who require special and intensive

care. It is equipped with one stop women care services under one roof, Gynaecology dealing with high-risk pregnancy, Neonatology and IVF treatment.

### **Analytical Approach**

Acuite has considered consolidated business and financial risk profiles of Sri Anu Hospital Pvt Ltd and Anu mybaby hospitals private ltd to arrive the rating, hereinafter, referred to as "Sri Anu Hospitals Group(SAHG)" on account of their common management, strong operational and financial linkages.

**Extent of consolidation:** Full.

### **Key Rating Drivers**

#### **Strengths**

##### **Established regional player aided by strong pedigree in Andhra Pradesh.**

Started by renowned surgeon Dr. Gajula Ramesh in 2012, Sri Anu Hospital group (SAHG) is one of the reputed and well known corporate healthcare groups in Andhra Pradesh. As of FY2022, SAHG operates four multi-speciality hospitals with 400 beds and provides healthcare services in various fields such as cardiology, Neurology, Orthopaedic, nephrology, gastroenterology, Gynaecology & Obstetrics, Paediatric, and others. It offers a comprehensive range of healthcare services across 10+ specialties and super specialties. The revenue of the company has improved in FY 2022 to Rs 89.98 Cr as against Rs 57.57 Cr in FY 2021 on account of increase in the operating beds, ALOS (average length of stay) and ARPP (Average revenue per bed). Number of operating beds increased from 200 beds in FY2021 to 400 beds in FY2022. Further, the revenue mix is fairly diversified between cash-payment, TPA/Insurance patients and Govt/ other panel patients. Further, SAHG is empanelled with YSR aarogya sree health trust, a health scheme by government of Andhra Pradesh which provides health insurance to patients belonging to below poverty line(BPL).

#### **Weaknesses**

##### **Moderate Financial risk profile**

The financial risk profile of the group has remained moderate with moderate capital structure and debt protection metrics. The net worth of the group stood at Rs.14.35 as on March 31, 2022 as against Rs.15.10 as on March 31, 2021. The gearing of the group stood at 2.75 times as on March 31, 2022 as against 0.61 times as on March 31, 2021 due to increase in debt exposure of the company. Further, the company has utilized short-term borrowings for the capex purposes. Debt protection metrics remains moderate with interest coverage ratio and debt service coverage ratio stood at 4 times and 3.54 times respectively as on March 31, 2022 as against 7.57 times and 6.08 times respectively as on March 31, 2021. However, TOL/TNW stood at 4.10 times and 1.15 times as on March 31, 2022 and 2021 respectively. Acuite' believes that financial risk profile of the company may continue to remain moderate with no debt-funded capex plan.

##### **Exposure to regulatory risk and competition from other hospital chains**

The company remains exposed to competition from other hospital chains. Furthermore, the company operates in a regulated industry that has witnessed continuous regulatory intervention during the past couple of years. Regulations such as restrictive pricing regulations instated by the central and state governments and stricter compliance norms can have adverse impact on the margins of the company. However, consumption of tobacco, obesity, and unhealthy lifestyles have largely contributed to the growing incidences of cancer in India.

#### **Rating Sensitivities**

- Ability of the hospital to scale up operations with sustaining operating margins

Ability to increase the occupancy level.

### Material covenants

None

### Liquidity: Adequate

The liquidity position of group is adequate with sufficient net cash accruals of Rs.5.01 Cr for FY2022 as against the repayment obligation of Rs.4.86 Cr during the same tenure. The group maintained cash and bank balance of Rs.2.43 Cr as on March 31, 2022. Current ratio of group remained at 0.55 times for the FY2022 as against 1.52 times for FY2021. Group's GCA days stood at 83 days making it dependent on bank borrowings for working capital. The average bank utilisation stood at 81 percent during the last 6 months ending March 2022.

### Outlook: Stable

Acuite believes that APPL will maintain a 'Stable' outlook in near to medium term on account of its experienced management and improving operating performance. The outlook may be revised to 'Positive' if the company is able to achieve higher than expected growth in revenue while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to negative in case of moderation in liquidity profile and its profitability margins, and deterioration in debt protection indicators.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	89.98	57.57
PAT	Rs. Cr.	(1.18)	3.48
PAT Margin	(%)	(1.31)	6.04
Total Debt/Tangible Net Worth	Times	2.75	0.61
PBDIT/Interest	Times	4.00	7.57

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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](http://www.acuite.in).

### Rating History:

Not Applicable

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB-   Stable   Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.34	ACUITE BB-   Stable   Assigned
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.50	ACUITE BB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE BB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.18	ACUITE A4   Assigned
Axis Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.80	ACUITE BB-   Stable   Assigned
Punjab and Sind Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BB-   Stable   Assigned
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.40	ACUITE BB-   Stable   Assigned
Fedbank Financial Services Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.30	ACUITE BB-   Stable   Assigned
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.50	ACUITE BB-   Stable   Assigned

TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.60	ACUITE BB-   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.65	ACUITE BB-   Stable   Assigned
Fullerton India								ACUITE
Credit Company Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.50	BB-   Stable   Assigned
RBL Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.40	ACUITE BB-   Stable   Assigned
Aditya Birla Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.60	ACUITE BB-   Stable   Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.75	ACUITE BB-   Stable   Assigned
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.48	ACUITE BB-   Stable   Assigned

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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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