

Press Release

Schiller Healthcare India Private Limited

August 26, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 75.50 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable (Upgraded from ACUITE BBB/ Stable)
Short Term Rating	ACUITE A2 (Upgraded from ACUITE A3+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE BBB+** (**read as ACUITE triple B plus**) from '**ACUITE BBB**' (**read as ACUITE triple B**) and the short-term rating to '**ACUITE A2**' (**read as ACUITE A two**) from '**ACUITE A3+**' (**read as ACUITE A three plus**) on the bank facilities of Rs.75.50 crore of Schiller Healthcare India Private Limited (SHIPL). The outlook is 'Stable'.

The rating upgrade reflects improvement in company's business risk profile marked by improvement in revenues and profitability margins during FY2019. The operating and net margins improved to 9.73 percent and 4.87 during 2018-19 from 8.39 per cent and 3.41 per cent in the previous year, respectively. This growth was mainly on account of growing medical device sector in India. Further, the upgrade also reflects company's healthy financial risk profile marked by moderate net worth, low gearing and healthy debt protection metrics.

Mumbai-based, SHIPL was incorporated in 1997. SHIPL is a subsidiary of Schiller AG (SAG), Switzerland, which was established with intent to cater the Indian market & SAARC countries. The company is engaged in the manufacturing, trading and servicing of medical equipment. SHIPL manufactures equipment for Cardiology, Critical Care segment & trades in various equipment such as Radiology, Cardiopulmonary, ECG Paper, monitoring among others.

Analytical Approach

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

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

SHIPL was established in 1997. Mr. Alfred E. Schiller, Chairman of Schiller Healthcare India Private Limited, possesses experience of over four decades in medical care industry. He is equally supported by Mr. Vikram Sanghvi (Managing Director), who has extensive experience of almost three decades in medical care industry. The knowledge of the promoters with continuous growth and innovation have enable SHIPL, a strong brand 'SCHILLER', to cater Indian market as well as SAARC countries.

The operating income of the company has improved to Rs.213.22 crore in FY2019 from Rs.157.57 crore in FY2018. The company is growing at compounded annual growth rate (CAGR) of 22 percent since FY2016. The operating and PAT margins of the company have also improved to 9.73 percent and 4.87 percent in FY2019 as compared to 8.39 percent and 3.41 percent in FY2018 respectively.

Acuité believes that SHIPL will continue to benefit from its established presence in the industry and improving business risk profile over the medium term.

• Healthy financial risk profile

SHIPL has healthy financial risk profile marked by tangible net worth of Rs.56.29 crore as on 31 March 2019 as against Rs.47.16 crore as on 31 March 2018. The improvement in net worth is attributable to higher accretion to reserves on account of consistent growth in profitability and no major debt funded capex. The gearing stood at 0.64 times as on 31 March, 2019 as against 0.75 times as on 31 March 2018. The debt of Rs.35.89 crore as on 31 March, 2019 consists of working capital borrowings of Rs.32.82 crore and unsecured loans from shareholders' of Rs.3.07 crore.

The coverage ratios stood healthy with Interest Coverage Ratio (ICR) of 3.49 times for FY2019 against 2.84 times for FY2018. Debt Service Coverage Ratio (DSCR) stood at 2.80 times for FY2019 against 2.28 times for FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.60 times as on March 31, 2019 against 1.40 times as on March 31, 2018.

Acuité believes that the company to maintain its financial risk profile in the near to medium term backed by growth in revenues.

Weaknesses

- **Working capital intensive operations**

SHIPL has working capital intensive nature of operations marked by Gross Current Assets (GCA) days of 206 in FY2019 despite improving from 222 days in FY2018. This is majorly due to the collection period of 101 days in FY2019 as against 120 days in FY2018. The stretched debtor days is because of the elongated manufacturing process and delays in payment realization from customers as most of the customers government entities. The company maintains inventory of 87 days in FY2019 as compared to 84 days in FY2018. SHIPL enjoys credit period of 81 days from its suppliers, which moderates the working capital requirements.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Liquidity Position

SHIPL has strong liquidity position marked by healthy net cash accruals against no maturing debt obligations. The company generated cash accruals of Rs.4.45 crore to Rs.11.22 crore during the last three years through 2018-19, while there were no maturing debt obligations over the same period. The cash accruals of the company are estimated to remain around Rs.13 crore to Rs.17 crore during 2020-22. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 206 in FY2019. The working capital limits of the company remains utilised at ~90 per cent during the last six months ended May 2019. SHIPL maintains unencumbered cash and bank balances of Rs.0.12 crore as on March 31, 2019. The current ratio of the SHIPL stands at 1.40 times as on March 31, 2019. Acuité believes that the liquidity of the SHIPL is likely to remain strong over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook of SHIPL will remain 'Stable' over the medium term owing to its experienced management and long standing relationships with customers. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company undertakes higher than expected debt funded capital expenditure resulting in deterioration in its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	213.22	157.57	144.42
EBITDA	Rs. Cr.	20.74	13.21	12.30
PAT	Rs. Cr.	10.39	5.37	3.61
EBITDA Margin	(%)	9.73	8.39	8.52
PAT Margin	(%)	4.87	3.41	2.50
ROCE	(%)	23.74	16.30	16.46
Total Debt/Tangible Net Worth	Times	0.64	0.75	0.80
PBDIT/Interest	Times	3.49	2.84	2.18
Total Debt/PBDIT	Times	1.65	2.55	2.58
Gross Current Assets (Days)	Days	206	222	231

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
25-Oct-2018	Cash Credit	Long term	19.00	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-/ Stable)
	Cash Credit	Long term	16.00	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-/ Stable)
	Letter of Credit	Short term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee	Short term	30.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Facility	Short term	0.50	ACUITE A3+ (Upgraded from ACUITE A3)
12-Feb-2018	Term Loan	Long term	7.50	ACUITE BBB-/ Stable (Reaffirmed)
	Cash Credit	Long term	17.50	ACUITE BBB-/ Stable (Reaffirmed)
	Cash Credit	Long term	5.50	ACUITE BBB-/ Stable (Reaffirmed)
	Letter of Credit	Short term	5.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short term	15.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short term	3.00	ACUITE A3 (Reaffirmed)
22-Jun-2017	Term Loan	Long term	7.50	ACUITE BBB-/ Stable (Reaffirmed)
	Cash Credit	Long term	17.50	ACUITE BBB-/ Stable (Reaffirmed)
	Cash Credit	Long term	5.50	ACUITE BBB-/ Stable (Reaffirmed)
	Letter of Credit	Short term	5.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short term	15.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short term	3.00	ACUITE A3 (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BBB+/ Stable (Upgraded from ACUITE BBB/ Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00*	ACUITE BBB+/ Stable (Upgraded from ACUITE BBB/ Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 (Upgraded from ACUITE A3+)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2 (Upgraded from ACUITE A3)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A2 (Upgraded from ACUITE A3)

*sublimit of working capital demand loan up to Rs. 16.00 crore.

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Simranjeet Kaur Analyst - Rating Operations Tel: 022-49294052 Simranjeet.Kaur@acuite.in	

About Acuité Ratings & Research:

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