

Press Release

Schiller Healthcare India Private Limited

August 20, 2020



Rating Upgraded

Total Bank Facilities Rated*	Rs.110.00 Cr. (Enhanced from Rs.95.00 crore)
Long Term Rating	ACUITE A- / Outlook: Stable (Upgraded from ACUITE BBB+/ Stable)
Short Term Rating	ACUITE A1 (Upgraded from ACUITE A2)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE A-**' (**read as ACUITE A minus**) from '**ACUITE BBB+**' (**read as ACUITE triple B plus**) and the short-term rating to '**ACUITE A1**' (**read as ACUITE A one**) from '**ACUITE A2**' (**read as ACUITE A two**) on the Rs.110.00 Cr bank facilities of Schiller Healthcare India Private Limited (SHIPL). The outlook is '**Stable**'.

The upgrade revision in the rating is on account of consistent improvement in an operating performance marked by revenue and profitability margins. Further, the upgrade also draws comfort from overall financial risk profile marked by capital structure, gearing and debt protection metrics.

About the Company

Mumbai-based, SHIPL was incorporated in 1997. SHIPL is a subsidiary of Schiller AG (SAG), Switzerland, which was established with the intent to cater to 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

To arrive at the rating, Acuité has considered the standalone business and financial risk profile of SHIPL.

Key Rating Drivers

Strengths

• **Experienced promoters, diversified product portfolio along with improving business risk profile**

SHIPL was established in 1997 by Mr. Alfred E. Schiller, Chairman of Schiller Healthcare India Private Limited possesses experience of over four decades and well supported by Mr. Vikram Sanghvi (Managing Director), who has an extensive experience of almost three decades in the medical care industry. The extensive experience of the promoters has helped SHIPL to establish a strong brand 'SCHILLER' in the Indian market as well as SAARC countries. SHIPL caters to government clients such as Tamil Nadu Medical Services Corporation Limited, Odisha State Medical Corporation Limited and among others.

Further, SHIPL has diversified product portfolio such as manufacturing includes OEM manufacturing (71.29% of revenues), trading (17.14% of revenues) and servicing (2.08% of revenues) of medical equipment. SHIPL manufactures equipment for Cardiology, Critical Care, Monitors and Treadmills. The product mix has also enabled the diversification of risk.

The operating income of the company has improved to Rs.227.23 crore in FY2020 from Rs.213.09 crore in FY2019. The company is growing at compounded annual growth rate (CAGR) of 20% percent since FY2018. The improvement is on the back of an increase in the number of orders. The operating and PAT margins of the company have also improved to 13.00 percent and 7.53 percent in FY2020 as compared to 9.68 percent and 4.88 percent in FY2019.

In Current fiscal FY2021, the company has expanded its manufacturing capacity to 6100 units per unit from 2700 units per year. SHIPL has successfully upgraded the technology of existing products which would provide competitive cost edge over others. Moreover, SHIPL has registered net revenue of Rs.55.94 crore for July, 2020.

Acuité believes that the SHIPL promoter's experience and brand presence in the medical equipment

industry and favourable medical equipment market post Covid-19 in India to support its business risk profile over near to medium term.

- **Healthy financial risk profile**

SHIPL's financial risk profile is healthy, marked by healthy net worth, low gearing and healthy debt protection metrics. The net worth of SHIPL is healthy at around Rs.66.73 crores as on March 31, 2020, as against Rs.56.29 crore as on March 31, 2019. The net worth levels have seen significant improvement over the last three years through FY2020 on account of healthy accretion to reserves.

SHIPL has followed conservative financial policy; the same is reflected through its peak gearing of around 0.75 times as on March 31, 2020 as against 0.64 times as on March 31, 2019. The total outside liabilities to tangible net worth (TOL/TNW) level stood at 1.69 times as on March 31, 2020 as against 1.60 times as on March 31, 2019. The total debt of Rs.50.30 crore as on March 31, 2020 comprising of working capital borrowings to the tune of Rs.44.83 crore and unsecured loans from shareholders of Rs.5.47 crore.

The debt protection metrics are healthy marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 4.44 times and 3.60 for FY2020 as against 3.49 times and 2.80 times for FY2019, respectively. NCA/TD stood at 0.36 times in FY2020 as against 0.31 times in FY2019.

Acuité believes that the financial risk profile is expected to be at similar levels over the medium term.

Weaknesses

- **Working capital intensive operations**

SHIPL has working capital intensive nature of operations marked by Gross Current Assets (GCA) days of 248 for FY2020 as against 205 days in FY2019. This is majorly due to the collection period of 151 days in FY2020 as against 101 days in FY2019. The stretchiness in debtors is because of the elongated manufacturing process and government clients. The company maintains an inventory of 75 days in FY2020 as compared to 87 days in FY2019. SHIPL enjoys a credit period of 98 days from its suppliers which moderates the working capital requirements.

Acuité believes that SHIPL's working capital intensive operations will be mitigated by the availability of adequate liquidity over the medium term.

Liquidity position: Adequate

SHIPL has an adequate liquidity position marked by healthy net cash accruals against no maturing debt obligations. The company generated cash accruals in the range of Rs.6.25 to Rs.17.93 crore during the last three years through 2019-20 while there were no maturing debt obligations over the same period. The cash accruals of the company are estimated to remain around Rs.19-23 crore during 2020-22. The company reliance on working capital borrowings is moderate; the working capital limit in the company remains utilized at ~90 percent during the last six months period ended July, 2020. However, the company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 248 in FY2020 due to elongated manufacturing process and government clients. SHIPL maintains unencumbered cash and bank balances of Rs.0.92 crore as on March 31, 2020. The current ratio of the SHIPL stands at 1.47 times as on March 31, 2020. Acuité believes that the liquidity of the SHIPL is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Rating Sensitivity

- Elongation in the working capital cycle
- Improvement in operating performance while maintaining profitability margins

Material covenants

None

Outlook: Stable

Acuité believes that SHIPL will maintain a 'Stable' outlook over the medium term on account of promoter's experience in the industry and its improving business risk profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in its revenues while sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	227.23	213.09
PAT	Rs. Cr.	17.11	10.39
PAT Margin	(%)	7.53	4.88
Total Debt/Tangible Net Worth	Times	0.75	0.64
PBDIT/Interest	Times	4.44	3.49

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Sep-2019	Cash Credit	Long Term	19.00	ACUITE BBB+ / Stable (Reaffirmed)
	Cash Credit	Long Term	16.00	ACUITE BBB+ / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB+ / Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Facility	Short Term	15.00	ACUITE A2 (Reaffirmed)
26-Aug-2019	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 A2 (Upgraded from ACUITE A3)
	Bank Guarantee	Short term	30.00	ACUITE A2 (Upgraded from ACUITE A3)
	Proposed Bank Facility	Short term	0.50	ACUITE A2 (Upgraded from ACUITE A3)
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)

***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 A-/ Stable (Upgraded from ACUITE BBB+/ Stable)
Cash Credit	Not Available	Not Applicable	Not Available	31.00*	ACUITE A-/ Stable (Upgraded from ACUITE BBB+/ Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A1 (Upgraded from ACUITE A2)
Bank Guarantee	Not Available	Not Applicable	Not Available	5.00	ACUITE A1 (Upgraded from ACUITE A2)
Letter of Credit	Not Available	Not Applicable	Not Available	5.00	ACUITE A1 (Upgraded from ACUITE A2)
Letter of Credit	Not Available	Not Applicable	Not Available	5.00	ACUITE A1 (Upgraded from ACUITE A2)

*sublimit of working capital demand loan up to Rs. 31.00 crore

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About Acuité Ratings & Research:

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