

Press Release

Schiller Healthcare India Private Limited

November 18, 2021

Rating Reaffirmed and Upgraded



Product	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	70.00		ACUITE A1 Reaffirmed
Bank Ratings Loan	50.00	ACUITE A Stable Upgraded	
Total	120.00	-	-

*Refer Annexure for details

Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE A-**' (read as **ACUITE A minus**) and reaffirmed the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.120.00 Cr bank facilities of Schiller Healthcare India Private Limited (SHIPL). The outlook is '**Stable**'.

Rationale for rating upgraded

The rating upgrade is on account of augmentation in the business risk profile marked by healthy growth in scale of operations with moderate profitability margins. The rating also draws comfort from long track record of operations, healthy financial risk profile and strong liquidity position of the company. The rating also factors in long & extensive experience of promoters in the healthcare business and strong long term relationships with its customers and suppliers. However, these strengths are partly offset by working capital intensive nature of operations of the company.

About the Company

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, ECG Paper, monitor, ventilator & trades in various equipment such as Radiology, Cardiopulmonary, among others.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management with established track record of operations and diversified product portfolio

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

medical care industry. The extensive experience of the promoters has helped SHIPL to establish a strong brand 'SCHILLER' in 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, trading and servicing of medical equipment. SHIPL manufactures equipment for Cardiology, Critical Care, Monitors and Treadmills. The product mix has also enabled the diversification of risk. Furthermore, the extensive experience of the promoters with a strong brand name has enabled the company to maintain and established long relationships with its customers and suppliers.

Acuité believes that the SHIPL promoter's experience and brand presence in the medical equipment industry and favorable medical equipment market post Covid-19 in India to support its business risk profile over near to medium term.

Improvement in scale of operations

The revenue of the company stood at Rs.262.15 Cr. in FY21 registering growth of ~15 percent YoY compared against Rs.227.23 Cr. in FY20. The increase in revenues is on account of healthy demand from the healthcare sector owing to covid-19 pandemic and expansion of its manufacturing facilities. The company has also upgraded the technology of its existing products which further provided competitive cost edge among other competitors. The government push towards improvement in the healthcare sector has also favored the growth in the scale of operations. The company was able to register revenues of ~Rs.273 Cr. of revenues in H1FY22 reflecting healthy demand coming in from the aforementioned sector. However, the profitability of the company witnessed marginal deterioration during FY21 marked by decline in operating profit margin to 11.33 percent in FY21 as against 13.00 percent in FY20 followed by decline in PAT margin to 6.77 percent as against 7.53 percent during the same period. The decline was majorly on account of increase in raw material costs during the period.

Acuité believes that the growth in revenue and sustenance of its profitability margins are expected to support the overall growth of the company over the medium term.

Healthy financial risk profile

SHIPL has healthy financial risk profile marked by tangible net worth of Rs.77.97 Cr. as on 31 March, 2021 as against Rs.66.73 Cr. as on 31 March, 2020. The improvement in net worth is attributable to higher accretion to reserves on account of consistent growth in profitability. The gearing stood improved further and stood low at 0.38 times as on 31 March, 2021 as against 0.75 times as on 31 March, 2020. The improvement in gearing is majorly on account of increase in net worth followed by reduction in total debt outstanding of the company. The total debt of Rs.29.74 Cr. consists of working capital borrowings of Rs.19.93 Cr. and working capital term loan of Rs.9.81 Cr. as on 31 March, 2021.

The coverage ratios stood healthy with Interest Coverage Ratio (ICR) of 5.43 times for FY21 against 4.44 times for FY20. Debt Service Coverage Ratio (DSCR) stood at 4.32 times for FY21 against 3.60 times for FY20. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.03 times as on March 31, 2021 against 1.69 times as on March 31, 2020. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.62 times in FY21 as against 0.36 times in FY2020.

Acuité believes that the company to maintain its healthy 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 improved yet high Gross Current Assets (GCA) days of 180 days for FY21 as against 248 days in FY20. This is majorly due to the collection period of 92 days for FY21 as against 151 days in FY20. The stretchiness in

debtors is because of the elongated manufacturing process and government clients. The company maintains inventory of 68 days for FY21 as compared to 75 days for FY20. Furthermore, SHIPL enjoys credit period of 43 days from its suppliers for FY21 as against 98 days for FY20. Despite working capital intensive nature of operations, the utilization of working capital limits remain low at around 10 percent in last six months ended Aug, 2021.

Acuité believes that the company's ability to maintain its working capital efficiently will remain a key rating sensitivity.

Liquidity position: Strong

SHIPL has strong liquidity position marked by healthy net cash accruals against maturing debt obligations. The company generated cash accruals of Rs.18.51 Cr. in FY21 compared against maturing debt obligations of Rs.1.26 Cr. over the same period. The cash accruals of the company are estimated to remain around Rs.49-64 Cr. during 2022-24 period. The company reliance on working capital borrowings is low marked by low utilization of working capital limit at ~10 percent during the last six months period ended Aug, 2021. However, the company's operations are working capital intensive as marked by gross current asset (GCA) days of 180 days in FY21 due to elongated manufacturing process and government clients. SHIPL maintains unencumbered cash and bank balances of Rs.4.86 Cr. as on March 31, 2021. The current ratio of the SHIPL stands at 1.83 times as on March 31, 2021. Acuité believes that the liquidity of the SHIPL is likely to remain strong over the medium term on account of healthy cash accruals against maturing debt obligations.

Rating Sensitivities

- Improvement in scale of operations while maintaining profitability
- Any deterioration in the working capital cycle leading to deterioration in financial risk profile and liquidity position

Material covenants

None

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in the company's financial risk profile or significant elongation in working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
-------------	------	----------------	----------------

Operating Income	Rs. Cr.	262.15	227.23
PAT	Rs. Cr.	17.74	17.11
PAT Margin	(%)	6.77	7.53
Total Debt/Tangible Net Worth	Times	0.38	0.75
PBDIT/Interest	Times	5.43	4.44

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Aug 2020	Cash Credit	Long Term	31.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee	Short Term	45.00	ACUITE A1 (Upgraded from ACUITE A2)
	Bank Guarantee	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2)
	Cash Credit	Long Term	19.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
16 Sep 2019	Proposed Bank Facility	Short Term	15.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	16.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	19.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A2 (Reaffirmed)
26 Aug 2019	Cash Credit	Long Term	16.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	19.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	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+)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Upgraded from ACUITE A3+)
25 Oct 2018	Letter of Credit	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	19.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Short Term	0.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	16.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
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)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Reaffirmed)
31 Jul 2015	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)
20 Jun 2014	Term Loan	Long Term	7.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	11.40	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.50	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	6.10	ACUITE BBB- Stable (Assigned)
	Proposed Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)
	Proposed Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Post Shipment Credit	Short Term	1.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Size Of Issue	Rating
Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A Stable Upgraded (from A-)
HDFC Bank Ltd	Cash Credit	Not Applicable	Not Applicable	Not Applicable	31.00	ACUITE A Stable Upgraded (from A-)
Bank of India	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE A1 Reaffirmed
Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1 Reaffirmed

HDFC Bank CC Limit: Sublimit of working capital demand loan up to Rs.31.00 crore and Rs.10.00 crore SBLC for Buyer's credit
Interchangeability from LC to BG for both HDFC Bank and Bank of India

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Nitul Dutta Senior Analyst-Rating Operations Tel: 022-49294065 nitul.dutta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité