

Press Release

Schiller Healthcare India Private Limited

October 27, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	70.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	120.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A**' (read as **ACUITE A**) and 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**'.

Reason for re-affirmation

The rating reaffirmation is on account of stable operating and financial performance of the company. The operating income improved to Rs. 410.78 Cr. in FY22 as against Rs. 262.15 Cr. in FY21. The overall gearing improved to 0.18 times as on March 31, 2022 as against 0.38 times as on March 31, 2021. The rating also draws comfort from long track record of operations, 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 to the Indian market & SAARC countries. The company is engaged in the manufacturing, trading and servicing of medical equipments. SHIPL manufactures equipment for Cardiology, Critical Care segment, ECG Paper, monitor, ventilator & trades in various equipment such as Radiology, Cardiopulmonary, among others. The company is managed by directors Mr. Vikram Dhirajlal Sanghvi, Mr. Pravin Ratilal Gandhi, Mr. Dominik Doppler and Mr. Alfred Eugen Schiller.

Analytical Approach

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

Key Rating Drivers

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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. The operating income of the company stood at Rs. 410.78 Cr. in FY22 as against Rs. 262.15 Cr. in FY21 registering a growth of ~57 percent YoY. The significant growth was primarily on account of increased demand for ventilators and other medical equipment during the pandemic. The surge in operating income is an aberration from the normal growth trend. The Company is expected to generate a revenue around ~Rs.315 Cr in FY2023. It has registered a revenue of ~Rs. 96 Cr. in H1FY23

Acuité believes that the SHIPL promoter's experience, brand presence in the medical equipment industry and the government push towards improvement in healthcare sector post Covid-19 in India will support its business risk profile over near to medium term.

Healthy Financial Risk Profile

SHIPL has a healthy financial risk profile marked by moderate networth, low gearing and above average debt protection metrics. The net-worth increased to Rs. 119.47 Cr. as on March 31, 2022 as against Rs. 77.97 Cr. as on March 31, 2021. The net-worth increased due to accretion of profits to reserves. The total debt of Rs. 21.69 Cr. as on March 31, 2022 includes long term borrowings of Rs. 7.73 Cr and working capital borrowings of Rs. 13.96 Cr. The company's overall gearing improved to 0.18 times as on March 31, 2022 as against 0.38 times as on March 31, 2021. The TOL/TNW improved to 1.10 times as on March 31, 2022 as against 1.03 times as on March 31, 2021. The ICR improved to 26.47 times in FY22 as against 5.43 times in FY21. The NCA/TD improved to 2.35 times in FY22 as against 0.62 times in FY21.

Acuité expects SHIPL's financial risk profile to improve over the medium term in absence of any major debt funded capex plan.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive in nature. The GCA days stood at 180 days as on March 31, 2022 as against 180 days as on March 31, 2021. The GCA days are primarily driven by inventory days and debtor days. The inventory days improved to 54 days as on March 31, 2022 as against 68 days as on March 31, 2021. The debtor days improved to 91 days as on March 31, 2022 as against 92 days as on March 31, 2021. The stretchiness in debtors is because of the elongated manufacturing process. The creditor days stood at 72 days as on March 31, 2022 as against 43 days as on March 31, 2021. The average fund based bank limit utilisation for the six months ended August, 2022 ranged between 4-5 percent and that of non-fund based bank limit ranged between 95- 100 percent.

Acuité believes the company's ability to restrict elongation in its working capital cycle will be a key rating sensitivity.

Rating Sensitivities

- Sustaining and Improving scale of operations while maintaining profitability margins
- Elongation of working capital cycle
- Deterioration in liquidity position

Material covenants

None

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.50.89 crore in FY22 against maturing debt obligations of Rs.1.26 crore over the same period. The cash accruals of the company are estimated to remain around Rs. 40-46 crore during 2023-24 period against maturing debt obligations around Rs. 2-3 Cr. The company's GCA days stood at 180 days as on March 31, 2022. The current ratio of the company stood at 2.06 times as on March 31, 2022. The average fund based bank limit utilisation for the six months ended August, 2022 ranged between 4-5 percent and that of non-fund based bank limit ranged between 95- 100 percent. The unencumbered cash and bank balance stood at Rs. 25.07 Cr. as on March 31, 2022.

Acuite believes that the liquidity position would be adequate over the medium term on account of moderate cash accruals as against low repayment obligations .

Outlook: Stable

Acuite believes that SHIPL would maintain 'Stable' outlook over a medium term on the back of experienced management, long presence in the aforementioned sector and moderate healthy financial risk profile. The outlook may be revised to 'Positive' in case the company reports better than expected improvement in scale of operations while maintaining the profitability margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than estimated revenue and operating margin or in case of deterioration in its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	410.78	262.15
PAT	Rs. Cr.	50.16	17.74
PAT Margin	(%)	12.21	6.77
Total Debt/Tangible Net Worth	Times	0.18	0.38
PBDIT/Interest	Times	26.47	5.43

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>
- Entities In Manufacturing Sector:- <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

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Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Nov 2021	Bank Guarantee	Short Term	55.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	31.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	19.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Reaffirmed)
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+)
	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)

25 Oct 2018	Proposed Bank Facility	Short Term	0.50	ACUITE A3+ (Upgraded from ACUITE A3)
		Short		
12 Feb 2018	Bank Guarantee	Term	30.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	16.00	ACUITE BBB- Stable (Upgraded from ACUITE BBB- Stable)
	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)
	Term Loan	Long Term	7.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	17.50	ACUITE BBB- Stable (Reaffirmed)
22 Jun 2017	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)
	Term Loan	Long Term	7.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	17.50	ACUITE BBB- Stable (Reaffirmed)
31 Jul 2015	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)
	Term Loan	Long Term	7.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	11.40	ACUITE BBB- Stable (Assigned)
20 Jun 2014	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	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1 Reaffirmed
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE A1 Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	31.00	ACUITE A Stable Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1 Reaffirmed

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About Acuité Ratings & Research

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