



Press Release
Schiller Healthcare India Private Limited
January 24, 2024
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	-	-

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**'.

Rationale for reaffirmation of rating:

Rating reaffirmation considers SHIPL's correction in revenue during FY2023 to its previous levels from the highs recorded in FY2022.. The company has registered revenue of Rs.201Cr in FY2023 down from Rs.410.78Cr of the previous fiscal on account of stabilization in demand levels of medical equipment post COVID-19 pandemic. The operating margin has also returned to its previous levels of 11 percent in FY2023 and is expected to improve in the near term on account of improved realizations in the current financial year. The company has reported revenue of Rs.95Cr till August with EBITDA margin of ~13 percent and expected to close the year with revenue in the range of Rs.230-240Cr with EBITDA margin of 12-12.5 percent.

The rating further continues to draw comfort from the strong financial risk profile and strong liquidity position of the company. Going forward the company's ability to improve its operating performance while maintaining the current profitability will remain a key rating monitorable.

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.

Unsupported Rating

Not Applicable

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. Acuite believes that business profile of SHIPL will improve over the medium term on account of extensive experience of the management.

Strong financial risk profile

SHIPL's financial profile is strong as marked by healthy network, low gearing levels, and comfortable debt protection metrics. The company's net worth position stood at Rs 95.51 Cr as on March 31, 2023 as against Rs.119.47 Cr as on March 31, 2022. Decline in net worth is mainly on account Rs.40Cr dividends issued by the company during FY23. The capital structure remained healthy with gearing less than 0.40 times and Total Outside Liabilities to Tangible Net Worth (TOL/ TNW) below 1 times for past three years through March 31, 2023 due to limited capex requirements resulting in low external borrowings. The company's coverage indicators are comfortable indicated by interest coverage ratio (ICR) 20.11 times and Net Cash Accruals (NCA)/Total Debt (TD) stood at 2.45 times for FY23 vis-à-vis 2.35 times in FY22. Debt service coverage ratio stood at 4.99 times during FY23 against 13.63 times of previous year.

Acuite believes that financial risk profile will remain healthy over the medium term, supported by healthy accruals, nil long-term debt, and adequate liquidity with no significant debt-funded capital expenditure plans in near future.

Weaknesses

Adjustment in revenue and profitability to standard levels from all-time highs:

SHIPL's revenue has declined to Rs. 201.48 Cr in FY23 from Rs.410.78Cr of previous year. The company has registered its all-time highest revenue at Rs410.78Cr during FY22 on account of healthy demand from the healthcare sector owing to covid-19 pandemic. The ample availability of medical equipment has stabilized the demand, leading to adjustment of revenue to its previous range of Rs.200-220Cr post Covid-19 pandemic. Out of the total sales, around 90-95 percent is domestic and remaining is exports to countries like Sri Lanka, Nepal, Burma etc.

The company's EBITDA margin has also corrected to 11.69 in FY23 percent from all-time high of 16.86 percent. SHIPL continued to show steady growth in its revenue in FY24 as it has reported ~Rs.206Cr till December and expected to close the year in the range of Rs.230-240Cr, while EBITDA margin is expected to be in the range of 12-12.5 percent. Acuite believes that operations of SHIPL will improve over the medium term on account of improving demand.

Intensive working capital operations

SHIPL has working capital intensive nature of operations marked high Gross Current Assets (GCA) days of 270 days in FY23 as against 180 days in FY22. This is majorly due to the collection period of 77 days and high inventory holding period. The stretch in debtor days is because of

the elongated manufacturing process (floating tenders, bidding, getting civil work ready, getting necessary approvals, collecting documents, training doctors and taking their feedbacks, verification etc) and government clients. The company's inventory period surged to 122 days in FY23 as against 54 days for FY23 on account of high inventory of spares in service segment. Despite working capital intensive nature of operations, the utilization of working capital limits remain low around 0-1 percent in last six months ended December, 2023. The Company relies on non-funded based limits, as it needs to furnish bank guarantees to government departments to secure contracts. The same has been utilized at an average of 92 percent during last 12 months ending December 2023. Acuite 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
- Any further elongation of working capital cycle
- Deterioration in liquidity position

Liquidity Position: Strong

SHIPL's liquidity is strong marked by healthy net cash accruals to its maturing debt obligations and moderate bank limits utilisation. The company has generated cash accruals of Rs.17.90 Cr during FY23 against debt repayment obligation of Rs.2.59Cr. The cash accruals are estimated to remain at around Rs.22 Cr to 28 Cr during 2024-26 with nil debt repayment obligations for the same period. SHIPL's working capital operations are intensive with GCA of about 271 days in FY23; comfortable cash accruals led to low reliance on working capital borrowings at 0-1 per cent during the last 6 months' period ended August, 2023. The company's unencumbered cash and bank balances stood at Rs.31.58Cr and Rs.18Cr during as on March 31, 2023 and August 31, 2023 respectively, which gives additional comfort in liquidity. The current ratio stood comfortable at 2.21 times as on March 31, 2023. Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals against its nil repayment obligations and its internal accruals and liquid surplus to be sufficient to meet its incremental working capital requirements

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 strong financial risk profile. The outlook may be revised to 'Positive' in case the company reports higher 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	201.48	410.78
PAT	Rs. Cr.	16.88	50.16
PAT Margin	(%)	8.38	12.21
Total Debt/Tangible Net Worth	Times	0.08	0.18
PBDIT/Interest	Times	20.11	26.47

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Oct 2022	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 (Reaffirmed)
	Cash Credit	Long Term	19.00	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1 Reaffirmed
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE A1 Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	31.00	ACUITE A Stable Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1 Reaffirmed

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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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