

May 23, 2013

| Facilities | Amount (Rs. crores) | Rating |
|------------|---------------------|-------------------------|
| Term Loan | 9.00 | SMERA C/Assigned |

SMERA has assigned a rating of '**SMERA C**' (read as **SMERA C**) to Rs.9.00 crore long term facilities (fund based) of RRM Services (RRM). The rating is constrained by the project implementation risk involved in establishing the hospital, delay in repayment of dues to the Uttar Pradesh Housing and Development Board, highly competitive and fragmented nature of industry (which could affect the ability of a new hospital to attract quality medical professionals), stringent regulatory framework and lack of experience of promoters in running a hospital. However, the rating derives support from the locational advantage, diversified service profile and favourable industry outlook.

RRM is in the process of establishing a 100-bed multi specialty hospital (named Atlantis Hospital) at Ghaziabad, Uttar Pradesh. The hospital would offer a wide range of healthcare services in various fields including cardiology, radiology, orthopaedics, trauma, pathology, physiotherapy, dentistry, gynaecology, obstetrics, paediatrics, ayurveda, homeopathy and yunani. Construction of two levels of the proposed structure is likely to be completed by September 2013, post which, some of the proposed services (including radiology, dentistry, physiotherapy and outpatient services) would be offered. The entire structure is expected to be completed by July 2014 and all the proposed services would be offered subsequently.

The total estimated cost of the project is Rs.21.02 crores, which is being financed by way of promoters' contribution of Rs.11.02 crores and bank finance of Rs.10.00 crores. As a major portion of the project is still under construction and the statutory approvals are pending, the project carries the risk of timely implementation and obtaining necessary approvals within the envisaged cost and time. A delay in project implementation could affect the cash flows, which would consequently affect the debt servicing and repayment ability of the firm (repayment of principal amount for the bank term loan of Rs.9.00 crore is scheduled to commence from July 2014).

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RRM has procured land from the Uttar Pradesh Housing and Development Board at Rs.3.78 crores, of which, Rs.1.14 crores was paid in advance and the remaining amount is payable in 18 quarterly installments of Rs.0.32 crores each (repayments commenced from October 2010) at an interest rate of 18 per cent per annum. RRM's total liability to the Uttar Pradesh Housing and Development Board amounts to Rs.5.74 crores. As per the agreement, the outstanding amount as on January 31, 2013 should be Rs.2.55 crores; however, the outstanding amount as on December 31, 2012 was Rs.4.91 crores, which reflects delays in repayment.

RRM is constructing the hospital at Vasundhara, Ghaziabad (Uttar Pradesh), which is an upcoming residential and commercial destination well connected to New Delhi and Noida. However, RRM could face competition from established private clinics operating in the vicinity. RRM would also face strong competition from three other hospitals (Max Hospital, Narinder Mohan Hospital and Pushpanjali Crosslay Hospital) located within a radius of around 8 kms from its facility.

Dr. Ravinder Singh (MBBS, MS-Orthopaedic) is the Managing Partner of RRM. Like the other partners, he has strong experience in medical science. However, the partners lack experience in running a large sized hospital, which leads to risk of inability to attract and retain a skilled group of medical professionals who would form an integral part in expanding the existing facilities of the hospital.

About the Firm

RRM was established as a partnership firm in 2008. RRM is in the process of setting up a 100-bed multispecialty hospital (under the name Atlantis Hospital) at Vasundhara, Ghaziabad. RRM proposes to offer a wide range of services under various specialities including cardiology, pathology, physiotherapy, dentistry, orthopaedic, obstetrics, and paediatrics. The outpatient services are expected to commence from September 2013 and the hospital will be fully operational by July 2014. Out of 10 partners of the firm, 6 of them are qualified and experienced medical practitioners.

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Contact List

| Media/Business Development | Analytical Contacts | Rating Desk |
|--|--|---|
| Mr. Virendra Goyal, VP- Sales - SME Tel : +91- 22 - 67141177 Cell : +91 9930074009 Email : virendra.goyal@smera.in Web: www.smera.in | Mr. Charu Dutt Sharma, VP – Operations – SME Tel: +91-22-67141130 Cell: +91 9820751853 Email: charu.sharma@smera.in | Tel: +91-22-67141128 Email: ratingdesk@smera.in |

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