

May 20, 2013

Facility	Amount (Rs. Crore)	Rating
Term Loan	8.05	SMERA B- / Stable / Assigned

SMERA has assigned a rating of '**SMERA B-**' (read as **SMERA single B minus**) to Rs. 8.05 crores long term bank facility of Kalyan Metro Multispeciality Hospital Private Limited (KMHPL). The outlook is '**Stable**'. The rating takes into account risks associated with the start up phase of the business, modest scale of operations, competition from established players and relatively high leverage. The rating also factors in delays in project implementation, which led to restructuring of term loans, lack of promoters experience in running a multispeciality hospital and the absence of a well-defined organizational design. However, the rating derives support from the experience of the promoter doctors in their respective fields of specialization, associations with other eminent doctors and favourable industry outlook.

KMHPL is a newly established 50-bed multispeciality hospital in Kalyan. The hospital offers a wide range of healthcare services such as emergency services, outpatient services and in patient services across various specialities including general medicine, surgery, cardiology, orthopaedics, gynaecology, paediatrics and dermatology. KMHPL commenced operations on January 18, 2013 and achieved revenue of Rs.0.52 crores during FY2013. The hospital plans to establish a catheterization lab in the near future for performing cardiac procedures like angiography and angioplasty.

KMHPL was scheduled to commence business in July 2012; however, commercial operations commenced from January 2013 due to delay in possession of premises, which affected cash flows and led to loan restructuring. Further, KMHPL's capital structure is highly leveraged with total borrowings to tangible net worth ratio projected at 6.93 times as on March 31, 2014 owing to high level of debt and a low net worth base of Rs.1.18 crores on account of accumulated losses. However, KMHPL has projected improvement in leverage on account of retention of profits, repayment of term loans and no further borrowing plans.

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KMHPL is located at Kalyan, which is an upcoming residential destination well-connected with Mumbai and Thane. The company faces competition from established players as well as private clinics. KMHPL is managed by six directors specialized in various fields of medicine and having extensive experience as independent medical practitioners. Along with in-house doctors, KMHPL has also empanelled 23 eminent doctors from different medical streams for providing a wide range of healthcare facilities. However, the directors do not possess the required experience of operating a multispeciality hospital. Further, the hospital is yet to strengthen its organization structure.

Outlook (Stable)

KMHPL has a 'Stable' outlook. SMERA believes that KMHPL will benefit from the rich experience of the promoters as independent practitioners and favourable industry outlook. However, the company's ability to scale up operations while maintaining profitability and improving the overall leverage remains the key rating sensitivity.

About the Company

KMHPL was incorporated in 2010 by Dr. Chandrakant Shivsharan, Dr. Pravin Bhujbal, Dr. Umesh Kapuskar, Dr. Chandan Singh, Dr. Bhavesh Chavan, Dr. Pradeep Shelar and Dr. Shashi Singh.

At present, the management team constitutes Dr. Chandrakant Shivsharan, Dr. Pravin Bhujbal, Dr. Umesh Kapuskar, Dr. Chandan Singh, Dr. Bhavesh Chavan and Dr. Pradeep Shelar. All the directors are specialised in different medical streams and have their own clinics in Kalyan.

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