Vijaya Diagnostic Centre Private Limited

Instrument	Amount In Rs Crore	Rating Action
Term Loans	29.50	[ICRA]A-(Stable) assigned
Cash Credit	1.00	[ICRA]A-(Stable) assigned
Bank Guarantee	0.12	[ICRA]A2+ assigned
Unallocated	3.38	[ICRA]A- (Stable)/[ICRA]A2+ assigned
Total	**34.00**	

ICRA has assigned the long term rating of [ICRA]A- (pronounced ICRA A minus) to the Rs 29.50 crore[1] term loan limits and Rs 1.00 crore cash credit limits of Vijaya Diagnostic Centre Private Limited (VDCPL)†. ICRA has also assigned the short term rating of [ICRA]A2+ (pronounced ICRA A two plus) to the Rs 0.12 crore bank guarantee limits and ratings of [ICRA]A-/[ICRA]A2+ to the Rs 3.38 crore unallocated limits of VDCPL. The outlook on the long term rating is Stable.

The assigned ratings favourably factors in the long standing experience of the promoters for more than three decades in the medical diagnostic industry; established regional presence with 43 centres in Andhra Pradesh, Telangana, Karnataka and West Bengal; and diversified diagnostic service offerings spanning across Radiology & Imaging, Nuclear Medicine, Conventional & Speciality Lab services and Diagnostic Cardiology. The ratings also factor in strong growth in revenues at a CAGR of 23% from Rs.71.18 crore in FY2012 to Rs.160.68 crore in FY2016 owing to expansion of centres from 22 in FY2012 to 40 in FY2016; healthy operating margins in the range of 31%-34% over the last three years; low working capital intensity of the business; and comfortable financial risk profile with gearing of 0.75 times as on March 31, 2016, interest coverage of 15.96 times, TD/OPBDITA of 0.82 and NCA/TD of 89% for FY2016.

The ratings are, however, constrained by the high geographic concentration with Hyderabad city accounting for more than 90% of total revenue in the past 4 years; high competition in the medical diagnostic industry from organised and unorganised players; and low entry barriers in the absence of stringent government regulations. ICRA notes that VDCPL would require to continuously invest in medical equipment and infrastructure to upgrade technology and to remain competitive in the medical diagnostic industry. VDCPL has incurred Rs 102.99 crore of capital expenditure in the past 4 years towards upgradation and addition of centers and has significant expansion plans in the medium term primarily towards center addition. The quantum and funding of the capex plans remains key monitorable. The rating also considers the management's plan to divest stake partly to financial investors, which is expected to be utilized to fund a portion of its future capex plans.

Going forward, ability of the company to increase the scale of operations while maintaining the profitability levels will be the key rating sensitivity from credit perspective.

Company Profile

VDCPL was founded by Dr.S.Surendranath Reddy in 1981 and was subsequently incorporated as a private limited company in 2002. Mr.K.Sunil Chandra is Executive Director & President of VDCPL and is closely involved in the operations, strategy and administration. The Company is engaged in the business of providing comprehensive range of diagnostic services spanning across Radiology & Imaging, Nuclear medicine, Conventional & Specialist Lab Services and Diagnostic Cardiology. VDCPL operates 43 centres (as of September, 2016) in Andhra Pradesh, Telangana, Karnataka and West Bengal.

Medinova Diagnostic Services Limited (MDSL) was incorporated in 1985 and has 3 decades of experience in diagnostic industry. VDCPL holds 60.14% in its subsidiary MDSL as at September 30, 2016. MDSL has 3 centres located in Hyderabad, Pune and Kolkata. MDSL is listed in Bombay Stock Exchange. VDC Diagnostics (Karnataka) LLP (VDC LLP) is also a subsidiary of VDCPL. VDCPL holds 91.64% in VDC LLP as at March 31, 2016. VDC LLP has two centres operating in Bengaluru. Further, VDCPL has merged with itself its subsidiary/associate companies namely Vijaya Diagnostic Private Limited (VDPL), Bhadrakali Medical Centre

[1] 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Private Limited (BMCPL) and Vijaya Diagnostic Centre (Mancherial) Private Limited (VDCMPL) with effect from April 01, 2015 under a scheme of amalgamation sanctioned by the Hon'ble High Court of Andhra Pradesh.

Recent Results

The company reported an operating income of Rs. 160.68 crore and profit after tax of Rs. 26.79 crore in FY2016 as against the operating income of Rs. 118.67 crore and profit after tax of Rs. 12.36 crore in FY2015.

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