

August 16, 2023

Saville Hospital and Research Centre Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term - Fund-based – Term loan	68.00	68.00	[ICRA]BBB (Stable); reaffirmed
Total	68.00	68.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation of Saville Hospital and Research Centre Private Limited (Saville) factors in the Manglam Group's established track record of more than three decades in the real estate industry in Rajasthan, strong brand positioning in Jaipur (Rajasthan) and demonstrated project execution capabilities. The group has delivered more than 45 million square feet (msf) of residential/ commercial/plotted projects in various cities of Rajasthan. The rating considers the favourable location of the asset in Mansarovar, Jaipur, which is 100% occupied by tenants, Healthcare Global Enterprise (HCG) and Manglamplus Medicity LLP (Manglam Group entity), as of March 2023. Further, the company has been receiving minimum guaranteed rentals in the range of Rs. 11-12 crore from tenants, which are sufficient to cover the debt obligations. Saville's leverage is healthy with Net debt/NOI at 5.1x as of March 2023, which is expected to improve to 4.6-4.7x as of March 2024 due to scheduled debt repayments. ICRA expects Manglam group to extend timely support to Saville in case of any cash flow mismatches, given the strong business linkages, strategic importance and the group's reputation sensitivity to default.

The rating is, however, constrained by the Saville's moderate scale of operations, single asset as well as high tenant concentration risk as the entire property is leased out to two tenants, and the consequent exposure to market risk in case of any vacancy/non-renewal of leases. The rating is constrained by the modest debt coverage metrics with 5-year average DSCR at 1.05-1.10x in FY2024-FY2028. Further, the debt coverage metrics are vulnerable to any fluctuations in interest rates.

The Stable outlook on Saville's rating reflects ICRA's opinion that the company will continue to benefit from Manglam Group's established brand presence in the Jaipur market, the assets' strong occupancy and healthy leverage levels.

Key rating drivers and their description

Credit strengths

Established track record of Manglam Group in real estate market in Rajasthan – The Group enjoys an established position and strong brand name in Rajasthan, particularly in Jaipur, with a diversified asset portfolio. Manglam Build Developers Pvt Ltd (MBDL) has a track record of over 30 years in the real estate sector, in Rajasthan. The group is currently developing 14 projects including residential, commercial and plotting projects. The Group also comprises multiple completed projects across residential, commercial and plots. The group has a strong in-house project execution capability, as demonstrated through completion of over 45 msf area.

Favourable location and fully occupied property – The property is favourably located in Mansarovar, Jaipur, which is well connected to the other parts of Jaipur and is 100% occupied by the tenants, Healthcare Global Enterprise (HCG) and Manglamplus Medicity LLP (Manglam Group entity) as of March 2023.

Healthy leverage levels – The company has been receiving minimum guaranteed rentals in the range of Rs. 11-12 crore from tenants, which are sufficient to cover the debt obligations. Saville's leverage is healthy with Net debt/NOI at 5.1x as of March 2023, which is expected to improve to 4.6-4.7x as on March 2024 due to scheduled debt repayments.

Credit challenges

Moderate scale of operations – The company has modest scale of operations as reflected by the collections of only about Rs 11.4 crore in FY2023. Further, the expected collection from the property is expected to be in the range of Rs 11-11.5 crore in FY2024 and the company doesn't have any major ongoing project launches over the medium to long term which limits the revenue and cashflow visibility.

Modest debt coverage metrics – The company has modest debt coverage metrics as marked by DSCR of 1.14 times in FY2023 and is expected to remain at similar levels in FY2024. Further, the company has a low 5-year average DSCR at 1.05x-1.10x in FY2024-FY2028 and are vulnerable to any fluctuations in interest rates.

Single asset and high tenant concentration risk – The company's dependence on a single asset exposes it to asset concentration risk. The tenant concentration risk is also high for Saville and the property is occupied by two tenants, exposing Saville to market risk in case of any vacancy/non-renewal of lease.

Liquidity position: Adequate

The firm's liquidity position of the company remains adequate as marked by the free cash and bank balances of Rs. 6.1 crore as of July 2023. Further, the company has repayment obligations of Rs. 3.8 crore in FY2024, which are expected to be comfortably serviced through the estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade Saville's rating if the company demonstrates a sustained improvement in rentals with timely collections resulting in an improvement in debt coverage metrics. Further, improvement in credit profile of Manglam group, could also favourably impact the ratings.

Negative factors - Negative pressure on Saville's rating could arise if there is a material increase in vacancy or a material increase in indebtedness resulting in weakening of debt protection metrics and liquidity on a sustained basis. The rating will be sensitive to weakening of credit profile of the Manglam group.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for LRD Rating Methodology for Hospitals
Parent/Group support	Group Company: Manglam Group The rating factors in the expected financial support from Manglam Group to Saville, given strategic importance and to protect Manglam group's reputation from the consequences of a group entity's distress.
Consolidation/Standalone	Standalone

About the company

Incorporated in April 1993, Saville Hospital and Research Centre Private Limited (Saville) is a group company of the Manglam Group and having a hospital building at Shipra Path, Mansarovar, Jaipur. The hospital has a total built up area of 4 lakh sq ft. Out of the total 4 lakh sq ft area, one-fourth has been leased to HealthCare Global Enterprise (HCG) for oncology and remaining area to Manglamplus Medicity LLP (Manglam Group entity) which has established a 330-bed multi-specialty hospital.

Key financial indicators (audited)

Saville Standalone	FY2021	FY2022
Operating income	4.7	9.2
PAT	-4.8	0.0
OPBDIT/OI	95.9%	95.6%
PAT/OI	-102.5%	0.5%
Total outside liabilities/Tangible net worth (times)	18.8	19.5
Total debt/OPBDIT (times)	15.3	8.4
Interest coverage (times)	0.5	1.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, interest coverage ratio is calculated on OPBDIT.

Source: Company annual reports, ICRA Research

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)* as on May 31, 2023	Date & Rating in August 16, 2023	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
1 Fund-based – Term loan	Long term	68.00	59.36	[ICRA]BBB (Stable)	May 09, 2022	August 03, 2021	-	

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – Term loan	FY2019	-	FY2031	68.00	[ICRA]BBB (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not applicable

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