

## Sadguru Medical & Research Centre Private Limited

Instrument	Amount (Rs. crore)	Rating Action March 2016
Fund Based Limit – Term Loans	7.9	[ICRA]B Re-affirmed
Fund Based Limit – Cash Credit	1.0	[ICRA]B Re-affirmed

ICRA has re-affirmed the long-term rating of **[ICRA]B** (pronounced ICRA B)<sup>1</sup> assigned to the Rs. 7.9 crore<sup>2</sup> term loans and the Rs. 1 crore cash credit facility of Sadguru Medical & Research Centre Pvt. Ltd. (SMRCPL / the company).

The re-affirmation of the rating takes into account SMRCPL's small scale of operations with a single hospital located in Cuttack, Odisha, exposing the company to geographical concentration risks. ICRA notes the unfavorable capital structure, and the part debt funded expansion project that SRMPL has undertaken in the current year. The rating also takes into consideration the increasing working capital intensity of its operations owing to stretched payment cycles of Government agencies and other empanelled organizations, as well as the considerable stocking of medicines that adversely impacts its liquidity position. Although the existing team of doctors has been associated with SMRCPL for a long time, recruiting and retaining good doctors is likely to remain a key challenge. The rating further takes cognizance of the experience of the promoters in the healthcare industry, its moderate financial profile as reflected by healthy operating profitability and comfortable debt coverage indicators, and the positive demand outlook for healthcare services in the country on the back of better affordability through increasing per capita income, change in demographic profile and increase in health insurance penetration. ICRA, moreover, notes the tie-ups of the hospital with various insurance companies, corporate clients and third party administrators (TPA) ensuring steady revenues. In ICRA's opinion, the ability of the hospital to improve its occupancy levels, while maintaining its profitability without significantly increasing the debt levels, would remain the key rating sensitivities, going forward.

### Company Profile

Established in 2004, Sadguru Medical & Research Centre Pvt. Ltd. commenced operations during FY2012. The company runs a multi-speciality hospital in Cuttack, Odisha, with a total capacity of 100 beds. The chairman, Dr. Pradip Kumar Mohanty, and the vice-chairman, Dr. Samita Mohanty, have been associated with the hospital since its inception.

### Recent Results

SMRCPL reported a net profit of Rs. 0.62 crore in FY2015 on an operating income (OI) of Rs. 8.01 crore as compared to a net profit of Rs. 0.51 crore on an OI of Rs. 6.58 crore during FY2014.

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<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.



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