

## Nanjappa Trust

Instrument	Amount (Rs. Crore <sup>1</sup> )	Rating Action
Term Loan	10.5 (reduced from 16.28)	[ICRA]BBB- (stable) Re-affirmed
Cash Credit	2.50	[ICRA]BBB- (stable) Re-affirmed
Proposed Limits	22.0 (increased from 16.22)	[ICRA]BBB- (stable) Re-affirmed

ICRA has reaffirmed the [ICRA]BBB- (pronounced ICRA triple B minus)<sup>2</sup> rating assigned to Rs 10.5 crore (reduced from Rs 16.28 crore) term loan facilities, Rs. 2.5 crore cash credit facility and Rs.22.0 (increased from Rs 16.22 crore) proposed limits of Nanjappa Trust (NT). The outlook on the rating is stable.

The rating reaffirmation positively factors in more than 25 years of track record of the promoters in the healthcare industry, the good reputation of the trust's main hospital and the strong medical infrastructure of the trust which has resulted in consistent rise in patient volumes, healthy occupancy rates and increase in per-patient revenue. The rating also takes comfort from the healthy profitability metrics and the efficient working capital management of the company resulting in comfortable liquidity. Further, the rating also derives comfort from the presence of experienced and renowned consultants which helps in maintaining healthy occupancy levels at both the hospitals.

The rating is, however, constrained by the modest scale of operations, gross collections and annual accruals of the trust and the expected deterioration of the capital structure over the short to medium term due to the ongoing and future debt funded capex activities which are also likely to exert pressure on the debt protection metrics. The rating also factors in the geographic concentration risk faced by the trust as both its hospitals are located in Shimoga.

Going forward, the receipts are further expected to witness healthy improvement due to increasing number of cash less tie-ups with key corporate and insurance agencies which supports new patient generations. Further, NT's ability to improve and sustain occupancy levels across hospitals, maintain its margins, capital structure and debt protection indicators would remain key rating sensitivities.

### About the trust

Nanjappa Trust is a public charitable trust located at Shimoga, Karnataka, engaged in imparting health care and education for the last two decades. The trust is managed by Sri D.G Benakappa who is the Managing Trustee and Dr. D.B Avinash who is the Administrative Director. The trust started a 150 bedded multi-specialty hospital in the name of Nanjappa Hospital (NH) at Shimoga in the year 1987 with Urology as the only super-specialty department and subsequently diversified to various other specialties. In 2011, the trust started Nanjappa Life Care (NLC), another 150 bed hospital at Sagar Road, Shimoga, which deals exclusively with Cardiology and Cardiac services. The trust currently has 35 in-house consultants in different specialties like Urology, Neuro-Surgery, Plastic-Surgery, Gynaecology, Cardiology, etc. The trust also operates an institute for post graduate studies in General Medicine and General Surgery and Diploma in General Nursing and Midwifery course. It started its school of Nursing in the year 1994 and a college of Nursing in October 2004.

### Recent Results

For the financial year 2015-16 (as per provisional numbers), the firm reported a net profit of Rs.4.3 crore on an operating income of Rs. 39.2 crore, as against a net profit of Rs. 2.7 crore on an operating income of Rs. 34.0 crore in 2014-15.

**June 2016**

<sup>1</sup> 100 lakhs = 1 crore = 10 millions

<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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