

Hyderabad Institute of Oncology Private Limited

Instrument	Amount In Rs Crore	Rating Action
Term Loans	24.02 (revised from 56.97)	[ICRA]A- (Stable) upgraded
Cash Credit	6.00	[ICRA]A- (Stable) upgraded
Unallocated Limits	37.68 (revised from 4.73)	[ICRA]A- (Stable) upgraded

ICRA has upgraded the long term rating assigned to the Rs. 24.02 crore¹ (revised from Rs 56.97 crore) term loans, Rs 6.00 crore of cash credit and Rs 37.68 crore (revised from Rs 4.73 crore) of unallocated limits of Hyderabad Institute of Oncology Private Limited (HIOPL)² † from [ICRA]BBB+ (pronounced ICRA triple B plus) to [ICRA]A- (pronounced ICRA A minus). The outlook on the long term rating is Stable.

The rating upgrade factors in the consistent growth in revenues over the past four years from Rs 63.39 crore in FY2012 to Rs 161.95 crore in FY2016 at a CAGR of 26% owing to improvement in inpatient occupancy levels coupled with increased bed capacity & increase in pharmacy incomes; and healthy profitability levels and low debt levels resulting strong cash accruals and comfortable coverage indicators. Further, the rating also factors in the steady rental income of Rs 1.80 crore per annum expected from the recently constructed commercial building, which has been partially leased out to City Neuro Center hospital. The rating also factors in stable operational parameters like average bed occupancy, inpatient revenue per occupied bed per day, increase in the number of procedures/surgeries performed over the past four years; established brand name of 'Omega Hospitals³' as a quality health care provider for Oncology related cases and the technological competency of the hospital with installed equipment like CyberKnife, VMAT and RapidArc linear accelerators used in Radiation oncology, and Digital Mammography for early diagnosis of breast cancer. ICRA also notes that the absence of any major capex plans in the medium term would further improve the liquidity profile and capital structure.

The rating is however constrained by operational risks inherent to a single location hospital; and high dependence on Dr. Mohana Vamsy, whose reputation has helped the hospital generate high footfall, the high competition from other established hospitals in Hyderabad, including some pan-Indian hospital chains. The rating also takes into consideration the fluctuations in the profitability margins, with the operating margins declining to 23.7% in FY2016 from 29.3% in FY2015 on account of increase in employee expenses in FY2016;

Going forward, the company's ability to maintain occupancy of the newly added beds and maintain the profit margins will be key monitorables from credit perspective.

Company Profile

Hyderabad Institute of Oncology Private Limited (HIOPL) is a super specialty oncology hospital promoted by Dr. Mohana Vamsy. The hospital operates by name 'Omega Hospitals' in Banjara Hills, Hyderabad and has commenced operations in FY2011. The hospital has 241 beds (increased from 214 beds from August 2016) and provides tertiary care in Surgical, Clinical and Radiation Oncology departments. The hospital received NABH (National Accreditation Board for Hospitals and Health Care Providers) accreditation in February, 2012. The hospital is empanelled with Central Government Health Scheme (CGHS), Ex Servicemen Contributory Health Scheme (ECHS) and Employee State Insurance (ESI) and other central and state government institutions.

Recent Results

In FY2016 (provisional and unaudited), HIOPL has reported an operating income of Rs. 161.95 crore with Profit after tax (PAT) of Rs. 15.11 crore as against an operating income of Rs. 149.71 crore with PAT of Rs. 14.82 crore in FY2015.

September 2016

¹ 100 lakh = 1 crore = 10 million

² † For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

³HIOPL operates its hospitals under the brand name 'Omega Hospitals'



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