

January 12, 2017

## Evan Multi Specialty Hospital and Research Center Private Limited

Instrument*	Rated Amount (in crore)	Rating Action
Long-Term Fund-based Term Loans	20.00	[ICRA]B (stable); Reaffirmed
<b>Total</b>	<b>20.00</b>	

\*Instrument Details are provided in Annexure-1

### Rating Action

ICRA has reaffirmed its long-term rating of [ICRA]B (pronounced ICRA B) on the Rs. 20-crore, fund-based bank facilities of Evan Multi Speciality Hospital and Research Centre Private Limited (EHRPL). The outlook on the long term rating is stable.

### Detailed Rationale

ICRA's rating reaffirmation factors in the weak financial profile of the hospital and the low number of operational beds in FY2016 as it is in the nascent stage of operations. The rating also takes into account the substantial increase in the project cost because of inclusion of additional medical equipment to the project scope. The cost increase is primarily funded through debt, resulting in higher-than-expected leverage. ICRA expects the liquidity of the company to remain under stress in the near term as the company is still in the nascent stage of operations. The rating is constrained by the concentration risk inherent in single-asset companies and the long gestation period typical of new hospital projects. ICRA's rating derives some comfort from the quarter-wise revenue growth of the hospital in H1 FY2017. The rating also takes into consideration the presence of experienced promoters from diverse medical fields and the favourable demand-supply scenario—there are no major multi-specialty hospitals in the vicinity. ICRA draws comfort from the favourable maturity profile of the debt, with ballooning repayments spread over seven years.

The company's ability to increase its number of operational beds and occupancy levels and the promoter's willingness to infuse capital and unsecured loans for supporting loan repayment are the key rating sensitivities.

### Key Rating Drivers

#### Credit Strengths

- Presence of experienced promoters, with established track record in different medical fields; risk of attrition of key doctors is partially mitigated as they are also the shareholders of the company
- Located at the heart of the city, the hospital benefits from the proximity to residential and commercial areas

#### Credit Weakness

- Few operational beds despite one year of operations
- Nascent stages of operations and low occupancy levels
- Single-asset concentration risk, as the entire revenues of the company is dependent on a single hospital
- Low debt coverage indicators and stretched liquidity profile given the long gestation period; dependence on promoters to meet the funding gap

**Description of Key Rating Drivers Highlighted Above:**

EHRL is promoted by eight doctors, specializing in different medical fields, thereby reducing the attrition risk at the top level. There are no other hospitals in the surrounding radius of Evan Multi Specialty Hospital, making it a sole hospital in the area.

The hospital has booked a net loss of Rs 4.05 crore on an operating income of Rs 5.01 crore in FY2015-16. Out of 140 beds only 55 beds have been pressed into service after one year of operations. The occupancy level has been low; however, the level is expected to increase gradually. There has been an increase in the project cost as additional medical equipment was procured. The cost increase is being funded primarily through debt, resulting in higher-than-expected leverage and low debt coverage indicators.

**Links to applicable Criteria**

Corporate Credit Rating –A Note on Methodology

Rating methodologies for hospitals

**About the Company:**

Incorporated in December 2012, EHRPL is a closely-held company, operating a 140-bed multi-specialty hospital in Muzaffarnagar, Uttar Pradesh. Among the ten promoters of the company, eight are qualified doctors, with specialization in different medical fields. The hospital commenced commercial operations from July 2015. The project cost of the hospital increased from the initial estimate of Rs. 29.7 crore to Rs. 43.07 crore, on account of additional medical equipments and labs.

In FY2016, the company reported a net loss of Rs. 4.05 crore on an operating income of Rs. 5.01 crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**
**Table: Rating History**

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating in FY2016	Month- year & Rating in FY2015	Month- year & Rating in FY2014
				January 2017	October 2015	January 2015	October 2013
1	Term Loans	Long Term	20.00	[ICRA]B(stable)	[ICRA]B	[ICRA]B	[ICRA]B

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1

### Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Term Loan	2013	BR+3.50%+0.50% - 1%	2023	20.00	[ICRA]B (stable)

Base rate for Punjab National Bank is 9.60%

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About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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