



## Eye-Q Vision Private Limited

Instrument	Amount (Rs. crore)	Rating Action
Proposed NCD Programme	19.50 <sup>^</sup>	[ICRA]B+; assigned
<b>TOTAL</b>	<b>19.50<sup>^</sup></b>	

<sup>^</sup> USD 3 million

Source: ICRA

ICRA has assigned a long-term rating of [ICRA]B+ (pronounced ICRA B plus) to the proposed Rs. 19.50 crore (USD 3 million), Non-Convertible Debenture (NCD) programme of Eye-Q Vision Private Limited (Eye-Q)<sup>†</sup>.

Instruments with [ICRA]B rating are considered to have high risk of default regarding timely servicing of financial obligations. The modifiers {"+"(plus)"/"-(minus)} used with the rating symbols, reflect the comparative standing within the rating category.

The assigned rating reflects Eye-Q's weak debt-servicing capability as a result of consistent cash losses reported by the company, which is expected to continue in the near-term. While mature centres in company's portfolio have been reporting a consistent improvement in operating profitability margins over the past few years, losses in new centres during their gestation phase and sizeable corporate overheads have resulted in operating losses for the company. This together with short debt maturity profile increases the pressure on cash flows thereby making the company completely reliant on fresh funding /debt refinancing for meetings its debt obligations. Though the company has a comfortable liquidity profile owing to un-deployed funds raised from PE investors in March 2015, these are primarily proposed to be used towards organic as well as inorganic expansion. As the company plans to mobilize longer-tenor debt funding with back-ended repayments for refinancing its existing debt obligations, near-term pressure on cash flows is expected to ease to some extent. Yet, a consistent improvement in operating margins and cash profits would still be critical to achieve an improvement in debt-protection metrics and become self-reliant in debt-servicing.

Although the company is increasingly focusing on tier-III and tier-IV markets wherein it faces limited competition from other organized players, it continues to compete with these players for skilled manpower. Its continued ability to attract and retain talent in these markets at a reasonable cost will be an important determinant of its operating performance going forward. Nevertheless while assigning the rating, ICRA has derived comfort from Eye-Q's experienced founders with established track record of operations in the domestic eye-care sector; and its strong investor base that has demonstrated commitment by participating in its multiple rounds of funding over the years. While assigning the rating, ICRA has also taken comfort from the consistently improving profitability margins of mature hospitals in company's portfolio which together with initiatives being taken by the company to optimize its overall cost structure are expected to translate into an improvement in company's return metrics going forward

In ICRA's view, the company's ability to achieve a break-even at cash profit level and report a consistent improvement in operating profitability margins in spite of launch of new centers (as planned), would be the key rating sensitivity. Further, the company's ability to successfully mobilize longer-tenor debt funding with back-ended repayments for refinancing its existing debt obligations, in order to reduce the interim pressure on cash flows, would also be a critical determinant of company's credit profile going forward.

### Company Profile

Incorporated in 2006 by Dr. Ajay Sharma and Mr. Rajat Goel, Eye-Q Vision Private Limited (Eye-Q) owns and operates a chain of 31 super-specialty eye-care centres in India and employs over 65+

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

<sup>†</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



ophthalmologists. Hospitals operated by Eye-Q provide services in the specialties of cataract, cornea & refractive, retina, orbit & oculoplasty, glaucoma, optical and medicines amongst others.

Geographically, the company has presence in 19 cities in North and West India (Delhi NCR (National Capital Region), Haryana, Uttar Pradesh (UP), Uttarakhand and Gujarat). While 26 centres are located in North India, balance 5 centres are located in West India (Gujarat).

Over the years, the company has received multiple rounds of funding by reputed Private Equity investors such as Song Fund (sponsored by Soros Economic Development Fund, Google & the Omidyar Network), Helion Ventures, Nexus and International Finance Corporation.

### **Recent Results**

Eye-Q reported an operating income of Rs. 65.9 crore and net loss of Rs. 22.2 crore in FY15 as compared to an operating income of Rs. 58.1 crore and net loss of Rs. 18.6 crore in FY14.

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