

Neelam Hospital

April 03, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount(Rs. crore)	Current Rated Amount(Rs. crore)	Rating Action
Fund- based- Term Loan	19.00	19.00	[ICRA]BB (Stable); Upgraded from [ICRA]BB- (Stable)
Total	19.00	19.00	

Rating action

ICRA has upgraded its long-term rating on the Rs. 19.00-crore fund-based limits of Neelam Hospital (NMH) to [ICRA]BB (pronounced ICRA double B) from [ICRA]BB- (pronounced ICRA double B minus). The outlook on the long-term rating is Stable.

Rationale

The rating upgrade takes into account of the commencement of the operations of the new hospital w.e.f. from September 2017 and its healthy operating performance. The revenue per occupied bed day increased to Rs. 3,934 for 11M FY2018 from Rs. 3,100 in FY2016, aided by strong occupancy of 93% (83% for FY2016). As the hospital has registered high occupancies with 50 operational beds, the business prospects for the addition in beds get strengthened. The rating continues to take into account the extensive experience of NMH's promoters in the healthcare industry and their established patient network in Rajpura region of Punjab. ICRA has favourably considered NMH's experience in running an existing hospital and its high growth in operating income over the past few years and its strong profit margins albeit on low base.

The rating is, however, constrained on account of the single asset nature of the entity, limiting its geographical presence and scale and also the firm's constitution as a partnership concern, exposing it to capital withdrawal risk etc. Going forward, further improvement in the hospital's operating metrics (occupancy and per bed revenues from the additional beds) will be the key determinant of the company's credit profile, and hence will be the key rating sensitivity. Any debt-funded capital expenditure will also be a key monitorable.

Outlook: Stable

ICRA believes that NMH will continue to benefit from the extensive experience of its partners in the healthcare industry and their established patient network in Rajpura region of Punjab. The outlook may be revised to 'Positive' if substantial growth in revenue with current profitability, strengthening the financial risk profile. The outlook may be revised to Negative if there is a substantial deterioration in the company's operating metrics.

Key rating drivers

Credit strengths

Consistent year-on-year improvement in operating metrics and stabilisation of the new hospital - NMH recorded improvement in operating metrics with occupancy of 93% (relative to 83% for FY2016) and improvement in per occupied bed day inpatient revenue during 11M FY2018; despite shifting operations to the new hospital during the year. The new hospital commenced operations from September 2017

Established track record of the partners in the healthcare industry- Presence of experienced partners, with established track record of running an existing hospital with the same name strengthens business prospects. Further, risk of attrition of key doctors stands partially mitigated as all panel doctors of existing hospital are handling the operations of the new hospital

Favourable hospital location with ease of accessibility from the highway and nearby districts- The hospital is located on the Rajpura -Chandigarh Road (NH-64) in Punjab which is ~5 kilometers from Rajpura, Punjab and hence has good connectivity. It is well connected to all the major highways and can cater to patients from the nearby districts.

Credit challenges

Competition with presence of large number of established players in Punjab- The firm faces competition with presence of large number of established players in the Chandigarh and Ambala region. Hence, retaining the doctors given high competition in the healthcare industry and the ramp up of operations at same time would remain key challenges for the company.

Single-asset concentration risk - The firm operates hospital in the name of Neelam Hospital which is located in only one state- Rajpura, Punjab. This leads to single-asset concentration risk, as entire revenues of the company would be dependent on a single hospital

Risks associated with the proprietorship nature of the firm - NMH also faces the risks associated with its status as a partnership firm, including risk of capital withdrawal.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Credit Methodology on Hospitals](#)

About the company

NMH is a partnership concern of Dr. Neelam Bansal, Dr Prem Raj Gupta, Dr Nitin Gupta and other family members who own and operate (operational beds are 50) multispecialty hospital located on the Rajpura Chandigarh Road at ~5 kilometers from Rajpura, Punjab. The hospital commenced operations from September 2017. The specialisations offered are Urology, Gynecology, IVF, Cardiology, Pediatrics, Nephrology, and Surgery etc

Earlier, the old hospital was located in a prime residential area in Rajpura and was specialising in Urology, Gynecology and IVF (Infertility). With the commencement of operations in the new hospital, there have been minimal activities in the old hospital wef from September, 2017.

Key financial indicators

	FY 2016	FY 2017
Operating Income (Rs. crore)	4.70	6.17
PAT (Rs. crore)	1.33	1.14
OPBDIT/ OI (%)	31.95%	60.07%
RoCE (%)	55.22%	11.99%
Total Debt/ TNW (times)	0.88	1.76
Total Debt/ OPBDIT (times)	5.00	4.30
Interest coverage (times)	839.13	19.30
NWC/ OI (%)	9%	3%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	
					April 2018	April 2017	May 2016	May 2015
1 Term Loan	Long -Term	19.00	19.00	[ICRA]BB (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	

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

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based-Term Loan	FY2017	NA	FY2025	19.00	[ICRA]BB (Stable)

Source: Neelam Hospital

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