

## Kohinoor Hospitals Private Limited

December 31, 2018

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Term Loan	45.13	35.61	[ICRA]B-(Stable); reaffirmed
Unallocated Limits	12.28	21.80	[ICRA]B-(Stable); reaffirmed
<b>Total</b>	<b>69.50</b>	<b>69.50</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The reaffirmation of the rating takes into account the limited track record of the promoter group of Kohinoor Hospitals Private Limited ('KHPL' or 'the hospital') in the healthcare business, modest scale of operations and low occupancy rate at present. The hospital's financial profile continues to remain weak as evidenced by loss making operations that has eroded the net-worth and has led to an adverse capital structure. However, ICRA notes that the business turned profitable at operating level from FY2016, owing to cost rationalisation measures undertaken. The rating also takes into account its exposure to concentration risks inherent in single asset companies.

The rating, however, positively takes into account the presence of experienced consultants in the hospital's panel of doctors, which is likely to have a positive impact on the occupancy levels of the hospital and limited competition faced by KHPL, given the lack of adequate tertiary care facilities in the vicinity and no major expected supply.

### Outlook: Stable

The Stable outlook reflects ICRA's expectation that KHPL will continue to benefit from the extensive experience of its promoters as well as their support. The outlook may be revised to Positive if KHPL is able to increase the occupancy levels of the hospital through better utilisation of its existing facilities, scale up its operations, achieve a healthy profit level, infuse funds to support the capital structure, strengthening the financial risk profile. The outlook may be revised to Negative if the revenues and profitability are lower than expected, with higher receivables and inventory levels leads to a stretch in the working capital cycle and weakens the liquidity position.

### Key rating drivers

### Credit strengths

#### Limited competition, given the lack of adequate tertiary care facilities in the vicinity and no major expected supply-

KHPL was set up in May 2007 by the Mumbai-based Kohinoor Group, as part of the Group's endeavour to venture into the healthcare sector. KHPL faces limited competition due to the lack of adequate tertiary care facilities in the vicinity and no major upcoming supply.

**Presence of experienced and renowned in-house consultants likely to improve the occupancy of the hospital in the future, although the ability to retain consultants remains critical for ensuring sustenance of operations**- KHPL has ~224 doctors associated with it, who are well qualified and experienced. Given that the quality of medical staff is a key driver for a hospital's success, the hospital's ability to attract and retain experienced doctors and consultants in the current competitive scenario remains critical.

## Credit challenges

**Limited track record of the group in the healthcare sector with this project being its maiden venture** - KHPL inaugurated the Outpatient Department (OPD) and pharmacy facilities at its hospital in December 2009. The in-patient department became fully operational by July 2010. It is a part of an integrated township project being undertaken by the Kohinoor group in Mumbai. Although the group has been in the business of education, hospitality and real estate sectors since 1961, KHPL is its maiden venture in the healthcare sector.

**Occupancy level continues to remain low, limiting growth in revenues** - The occupancy rates have remained low during the past five years, declining from 55% in FY2017 to 53% in FY2018 as the hospital stopped admitting patients through the Central Government Health Scheme (CGHS). Although the occupancy rates declined in FY2018, the average revenue per occupied bed reported a healthy growth increasing from Rs. 16,892 in FY2017 to Rs. 19,097 in FY2018, supported by the increase in cash patients as against patients admitted through the CGHS and an increase in brand recognition of the hospital in the region.

**Weak financial profile of the hospital with weak operating profitability levels, continuing net losses, adverse capital structure and weak coverage indicators** - Although the hospital reported an operating profit of Rs. 1.01 crore in FY2018, high financial costs as well as depreciation charges dented the net profit levels and KHPL reported a net loss of Rs. 6.58 crore during FY2018. The capital structure also continued to remain stressed, following erosion of net-worth on account of continuing losses reported at net level.

**Exposed to revenue concentration risks owing to single location presence** - The hospital's revenue concentration risk is high because of its presence in a single location. Nevertheless, KHPL faces limited competition due to the lack of adequate tertiary care facilities in the vicinity.

## Liquidity position

KHPL has reported negative cash flow from operations in FY2018, following YoY increase in net working capital requirements. The repayment of long-term debt has further exerted pressure on free cash flows and financing requirements have been met through stretching the payables as well as infusion of unsecured loans by the promoters. Given the high debt repayment obligations, and the continuing net losses incurred, liquidity is expected to remain stressed.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Hospitals</a>
Parent/Group Support	N.A.
Consolidation / Standalone	Standalone - The ratings are based on the standalone financial profile of the company

## About the company

Incorporated in May 2007, Kohinoor Hospitals Private Limited ('KHPL' or 'the hospital') was promoted by the Mumbai-based Kohinoor Group, as part of the Group's endeavour to venture into the healthcare sector. KHPL has set up a 147-bed, multi-speciality hospital at the Kurla suburb of Mumbai, which became operation in FY2011. The project is a part of an integrated township project undertaken by the Group. The hospital commenced operations with 71 paid beds that were fully operational in July 2010. At present, ~123 beds are operational. KHPL's board of members comprise Mr. Unmesh Manohar Joshi, Ms. Anagha Manohar Joshi and Ms. Madhavi Unmesh Joshi.

In FY2018, the company reported a net profit of Rs. 6.98 crore on an operating income (OI) of Rs. 193.04 crore, as compared to a net profit of Rs. 7.24 crore on an OI of Rs. 187.08 crore in the previous year.

## Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	56.38	58.84
PAT (Rs. crore)	(8.63)	(6.58)
OPBDIT/OI (%)	1.94%	1.72%
RoCE (%)	(4.69%)	(1.89%)
Total Debt/TNW (times)	(1.58)	(1.47)
Total Debt/OPBDIT (times)	146.11	155.93
Interest Coverage (times)	0.19	0.18

Source: Financial statements of PIL and ICRA research

## 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 Dec-18	Date & Rating in FY2018 Jun-17	Date & Rating in FY2017 Nov-16	Date & Rating in FY2016 Jul-15
1 Term Loan	Long-Term	35.61	35.61	[ICRA]B-(Stable)	[ICRA]B-(Stable)	[ICRA]B-(Stable)	[ICRA]B-(Stable)
2 Unallocated Limits	Long-Term	21.80	-	[ICRA]B-(Stable)	[ICRA]B-(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](http://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	Term loan 1	March 2015*	12%	November 2024	35.42	[ICRA]B- (Stable)
NA	Term loan 2	March 2015*	12%	December 2018	0.19	[ICRA]B- (Stable)
NA	Unallocated Limits	NA	NA	NA	21.80	[ICRA]B- (Stable)

Source: Kohinoor Hospitals Private Limited

### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
N.A.	N.A.	N.A.

The ratings are based on the standalone financial profile of the company.

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