

Rating Advisory December 27, 2018 | Mumbai

All India Society For Health Aid Education And Research (A.S.H.A.)

Advisory as on December 27, 2018

This rating advisory is provided in relation to the rating of All India Society For Health Aid Education And Research (A.S.H.A.)

The key rating sensitivity factors for the rating include:

- Operating profitability
- Scale of operations
- Capital expenditure (capex) plans and their funding
- Change in contractual terms with doctors

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from All India Society For Health Aid Education And Research (A.S.H.A.) (~~XXX~~) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If ~~XXX~~ continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About The Society

A.S.H.A has been registered under Societies Registration Act XXI, 1860, and has been formed by Mr Rajpal Solanki to take up the hospital project, Venkateshwar Hospital Dwarka. Set up in 2012, the hospital is a 325 bed multi-specialty hospital, which commenced operations from October 2016. The hospital is located at Sector18A, Dwarka in New Delhi, with built-up area of 4.7 lakh square feet.

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Classification: EXTERNAL

Rating Rationale

November 01, 2017 | Mumbai

All India Society For Health Aid Education And Research (A.S.H.A.)

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.240 Crore (Enhanced from Rs.12.5 Crore)
Long Term Rating	CRISIL BBB-/Stable (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its ratings on the the long-term bank facilities of All India Society For Health Aid Education And Research (A.S.H.A.) (A.S.H.A) at 'CRISIL BBB-/Stable'.

CRISIL had on October 31, 2017, assigned its 'CRISIL BBB-/Stable' rating to the facility.

The rating reflects A.S.H.A's healthy ramp up in operations and established market position supported by diversified service offerings and locational advantage. These strengths are partially offset by geographic concentration owing to exposure to intense competition in the healthcare sector and a below-average financial risk profile.

Analytical Approach

Unsecured loans of Rs 4.436 crore as on March 31, 2017, have been treated as neither debt nor equity, as they will remain in the business over the medium term and are subordinated to bank debt.

Key Rating Drivers & Detailed Description

Strengths

* Healthy ramp up in operations

Within a short span of commencement of operations, October 2016, the hospital witnessed steady ramp up in occupancy backed by an increase in in-patient and out-patient admissions. The hospital increased its beds to 155 in October 2017, from 102 beds in October 2016. Also, occupancy levels increased to 67% for the first months of fiscal 2018, against 27% for the last six months of fiscal 2017. Additionally, it has locked in the empanelment with various reputed organisations in public and private sectors (around 32 corporate and PSU [public sector undertakings] tie-ups) and is also on the verge of getting on to the panel of DGEHS (Delhi Government Employees Health Scheme) and ECHS (Ex-Servicemen Contributory Health Scheme). The hospital is also in the process of getting accreditations from NABH (National Accreditation Board for Hospitals and Healthcare Providers) and JCI (Joint Commission International). The presence of highly qualified professionals has helped the hospitals in achieving the average length of stay at 2.5-3.5 days, along with average revenue per bed, which has increased driven by wide service offerings, higher realisations from latest technology and international patients.

* Established market position supported by diversified service offerings

Within 12 months of commencement of operations A.S.H.A started offering wide range of medical facilities under Venkateshwar Hospital, including medical oncology, radiation oncology, surgical oncology, interventional cardiology, cardio thoracic and vascular surgery, urology and nephrology, orthopaedics and joint replacement, neurology and paediatric neurology, and gastroenterology to name a few. Driven by diversified offerings, A.S.H.A will continue to benefit from the hospitals' established market position.

Weaknesses

* Geographic concentration owing to exposure to intense competition in the healthcare sector

A.S.H.A operates one hospital in Dwarka and thus faces competition from other multi-specialty hospitals operating in NCR (National Capital Region) such as Maharaja Agrasen Hospital Charitable Trust (rated 'CRISIL BBB+/Stable'), VPS Rockland Dwarka, Aakash Healthcare, and other hospitals operating in the vicinity. The image-sensitive nature of the healthcare industry aggravates risks relating to presence of other corporate hospitals. Revenue growth, improvement in operating profitability, and sustenance of customer base will remain exposed to the risk of intensifying competition.

* Below-average financial risk profile.

Total outside liabilities to tangible network (TOLTNW) ratio remained high at 3.5 times as on March 31, 2017, owing to small network and high debt levels. The ratio is expected to remain high owing to erosion of network, backed by losses expected to be incurred in fiscal 2018, being the first year of full operations. Resultantly, debt protection metrics are also expected to remain below-average. However, the hospital, has no plans to undertake any debt-funded capital expenditure over the medium term as it is comfortably placed with the latest medical equipment and technology. Moreover, with the expectation to reach EBITDA (earnings before interest, depreciation, and amortisation) break-even in fiscal 2019 backed by ramp-up of operations, CRISIL believes the financial metrics will improve gradually over the medium term.

Outlook: Stable

CRISIL believes A.S.H.A will maintain its market position on the back of its established market presence supported by its service offerings. The outlook may be revised to 'Positive' in case of better-than-expected profitability, leading to higher-than-expected cash accrual, and subsequently, improvement in capital structure and debt protection metrics. The outlook may be revised to 'Negative' in case of larger-than-expected, debt-funded capital expenditure or a sharp decline in profitability, leading to deterioration in financial risk profile.

About the Society

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Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs crore	22.08	NA
Profit After Tax (PAT)	Rs crore	0.00	NA
PAT Margins	%	0.00	NA
Adjusted debt/Adjusted networth	Times	15.74	NA
Interest coverage	Times	7.28	NA

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs cr)	Rating assigned with outlook
NA	Overdraft	NA	NA	NA	25.0	CRISIL BBB-/Stable
NA	Term loan	NA	NA	Mar-2029	198.0	CRISIL BBB-/Stable
NA	Proposed Cash Credit Limit	NA	NA	NA	17.0	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2017 (History)		2016		2015		2014		Start of 2014
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	240	CRISIL BBB-/Stable	31-10-17	CRISIL BBB-/Stable		No Rating Change	29-09-15	CRISIL B-/Stable		--	--
				22-05-17	Withdrawal							
				22-04-17	CRISIL B-/Stable (Issuer Not Cooperating)*							

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.
*Issuer did not cooperate; based on best-available information

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Overdraft	25	CRISIL BBB-/Stable	Overdraft	12.5	CRISIL BBB-/Stable
Term Loan	198	CRISIL BBB-/Stable	--	0	--
Proposed Cash Credit Limit	17	CRISIL BBB-/Stable	--	0	--
Total	240	--	Total	12.5	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Framework for Assessing Information Adequacy Risk](#)

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