

Jupiter Lifeline Hospitals Limited

February 12, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.60	CARE A-; Stable (Single A Minus; Outlook: Stable)	Assigned
Long Term Bank Facilities	316.62 (Enhanced from 288.70)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	319.22 (Rs. Three Hundred Nineteen Crore and Twenty-Two Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The long-term ratings assigned to bank facilities of Jupiter Lifeline Hospitals Limited (JLHL) continues to derive strength from well established & experienced promoters with proven track in healthcare industry, resourcefulness of promoter group towards infusion of funds in the company, favourable operational performance of hospital in Thane & improvement in profitability of Pune hospital coupled with favourable demand outlook for healthcare services in India.

The rating strength, is however constrained by geographically concentrated cash generation stream with higher dependence on the Thane Hospital, competition from other organised players along with largely debt funded capex activity undertaken during FY19, which is likely to restrain its debt coverage matrix during the next 2-3 years.

Rating Sensitivities

Positive Factors -

- Improvement in operational performance of Pune Hospital resulting in hospital reporting cash profits.
- Reduction in overall gearing below 0.50x

Negative Factors-

- Any large debt-funded capex leading to deterioration of overall gearing above 2.00x.

Detailed description of the key rating drivers

Key Rating Strengths

Well established and promoters with proven track in healthcare industry

JLHL incorporated in 2004 by three specialist doctors – Dr. Ajay Thakkar (Radiologist), Dr. Navin Davda (Clinical Cardiologist & Physician) and Dr. Gautama Ramakanthan (Gastroenterologist & Physician). The promoters have long track record of more than 18 years of successfully managing profitable operations in the other group companies and operating their own secondary hospitals. The hospital began operations from 2007 and has been managed by the promoters efficiently since then. Further, the company commenced operations of another hospital in Pune in June, 2017. The promoters have also ensured that renowned medical practitioners are empaneled with both the hospitals which will result in gradual increase in occupancy as well as total income in coming years.

Resourcefulness of promoter group towards infusion of funds in the company

The promoter group continues to demonstrate its resourcefulness towards infusion of funds in the company. There was equity infusion of Rs. 1.62 crore during FY17 and Rs. 0.89 crore in FY18. However, no further infusion has taken place since then.

Favorable operational performance of hospital in Thane and improvement in Pune hospital

JLHL reported increase in revenue by 16% to Rs. 464 crore in FY20 on account of increase in IPD and OPD collection at Thane Hospital and stabilization of operations at Pune hospital. The Pune hospital reported revenue of Rs.69.28 crore in FY19 and Rs.104.62 crore in FY20. The Pune hospital reported EBITDA profit, however it still is cash negative.

During H1FY21, there has been a decline in PBILDT margins as the OPD remained closed during Q1FY21 in Thane hospital due to lockdown imposed by Government on the onset of COvid-19 pandemic but the company had to incur its operational cost (increased salary of staff, increased purchases of PPE kits, gloves, etc). During H1FY21 (Provisional), the company reported a net loss of Rs.7.37 crore on a total income of Rs.192.25 crore.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Average revenue per occupied bed (ARPOB) for Thane unit as well as Pune unit has increased on account of increase in overall occupancy rate.

Particulars	2017-18	2018-19	2019-20
ARPOB Thane (Rs.)	38,518	37,046	40,650
ARPOB Pune (Rs.)	20,439	26,047	34,126

Going forward the achievement of envisaged operational performance at both Thane and Pune hospital remains key rating monitor able. Also, any large debt funded capital expenditure impacting overall financial risk profile of the company would be key rating sensitivity.

Industry outlook

The Indian healthcare industry has been growing steadily owing to the increased investment and expenditure from public as well as private investors. The reputed global players investing through FDI played a pivotal role in the growth of the healthcare sector. At present, the rising incidences of lifestyle diseases, the rising demand for affordable healthcare, the emergence of technologies like telemedicine, and the increased role of government in healthcare investment space are the major driving factors in Indian healthcare industry. Indian government has remained very active in supporting the sector through its various initiatives such as Ayushman Bharat and other schemes and announcement of National Digital Health Mission (NDHM).

India's domestic general government health expenditure as percentage of GDP however was only 0.96% in 2017 which is quite low compared with any other developed nation's healthcare expenditure. For example, USA's domestic general government health expenditure as percentage of GDP was 8.56% (Source: World Bank). This highlights the need for India to work towards developing an adequate nationwide healthcare infrastructure to fight against any crisis or pandemic such as Covid-19 that may come up in future.

With unlocking of economy and announcement of various unlock guidelines, the patient footfalls are expected to improve as demand from non-Covid patients gathers pace. Also, hospitals and patients are adapting themselves to the Covid-19 environment and social distancing norms. While operations of healthcare industry are estimated to return to normal levels only from Q3FY21 onwards, we might not see operations at pre-Covid level rates in the current quarter for all the players.

Nevertheless, the healthcare industry is extending the services of e-consultations and other home care services that will also support their growth. Moreover, international patients are also allowed to travel to India for medical treatments (though with certain conditions) and this will benefit healthcare units that have a fair share of international patients. In addition to this, while Covid treatments and testing continues to be a part of business for healthcare industry, getting back to non-Covid business remains the focus point of the industry.

Key Rating Weaknesses

Geographic concentration of revenue

It has been observed that there has been higher dependence on Thane unit for revenue generation. However, as commercial operations have started at Pune division from FY18, geographic concentration risk is partially mitigated.

Risk of competition from other hospitals

The hospital industry is highly competitive with a large number of established organized players and their growing network. The healthcare and specialty hospitals sector mainly comprises of large national level players, organized regional players, government hospitals, charitable trusts and a large number of nursing home and Multi-specialty clinics making it highly competitive. The competition is expected to intensify with the expected entry of Public Private Partnerships in this segment. Further, Jupiter hospital's Pune unit, being a new entrant in the field, will have to intense face competition from well-established hospitals in Pune such as KEM, Sahyadri hospitals and Aditya Birla Memorial Hospital.

Regulatory risk related to operations of hospitals

The operations of hospital are subject to various rules and regulations laid by respective authorities at State and Central government level. Any instance of non-compliance of these rules and regulations would impact the operations of hospital resulting into deterioration of financial risk profile of the company. However, the operations of hospitals of JLHL at Thane and Pune are overlooked by a team of qualified and experienced professionals headed by Dr. Ajay Thakker who has been medical practitioner. Thus, mitigating the regulatory risk to larger extent.

Liquidity: Adequate

JLHL's liquidity profile remains adequate with cash and bank balance of Rs.16.81 crore as on December 31, 2020. The average working utilization is 21% for the period of 12 months ending on December 31, 2020. The company's operating cycle is negative, which is generally the case in hospital sector. JLHL has total repayments of Rs.8.55 crore and Rs.21.40 crore in FY21 and FY22 against expected cash accruals of Rs.41 crore and Rs.73 crore for the same period.

Analytical approach:

Standalone

Applicable Criteria[Rating methodology - Hospitals](#)[Financials Ratio-Non Financial Sector](#)[CARE's policy on Default recognition](#)[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)**About the Company**

JLHL incorporated in 2004 by three specialist doctors – Dr. Ajay Thakkar (Radiologist), Dr. Navin Davda (Clinical Cardiologist & Physician) and Dr. Gautama Ramakanthan (Gastroenterologist & Physician). JLHL owns and operates multi-specialty tertiary care hospitals with 350 beds in Thane as on March 31, 2020 and 216 beds in Pune as on September 30, 2020. The hospital in Thane commenced operations on July 25, 2008 and hospital in Pune commenced operations on June 30, 2017. The hospital at Thane is equipped with a comprehensive Cardiology Centre and a state-of-the-art radiation oncology centre. The hospital has over 34 different departments such as cardiology, oncology, general medicine, orthopaedics, general surgery, nephrology, neurology, organ transplant, blood bank, diagnostics (including radiology and pathology), ophthalmology, birthing and cosmetic surgery division. Also, the hospital has set up niche segment viz. Multi Organ Cadaveric Transplant. JLHL has on its pay-roll more than 100 doctors, 61 specialist doctors and over 400 consulting doctors. The company has built a hotel along with the hospital on the land adjacent to the hospital. The hotel has been recognized as a four star hotel by the Department of Tourism. The hotel commenced operations from April 1, 2010. It has over 34 rooms, a convention centre and other facilities. The hotel caters to the food and beverage needs of the hospital as well. The operations and maintenance of the hotel are handled of by Fortune Park Hotels (FPH), a wholly owned subsidiary of ITC Ltd. Further, the company commenced operations of another hospital in Pune in June, 2017. The Pune hospital is a multi-speciality hospital with over 50 different departments such as cardiology, oncology, general medicine, orthopaedics, general surgery, nephrology, neurology, etc. JLHL has on its pay-roll more than 400 doctors.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	399.87	464.39
PBILDT	66.40	85.82
PAT	18.14	29.63
Overall gearing (times)	1.18	1.13
Interest coverage (times)	2.80	3.34

A: Audited

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3 - NA**Complexity level of various instruments rated for this company:** Annexure 4**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	January 2031	281.62	CARE A-; Stable
Fund-based - LT-Cash Credit	-	-	-	35.00	CARE A-; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	2.60	CARE A-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	281.62	CARE A-; Stable	-	1)CARE A-; Stable (06-Jan-20)	1)CARE A-; Stable (28-Dec-18)	1)CARE A-; Stable (26-Mar-18) 2)CARE BBB+; Positive (22-May-17)
2.	Fund-based - LT-Cash Credit	LT	35.00	CARE A-; Stable	-	1)CARE A-; Stable (06-Jan-20)	1)CARE A-; Stable (28-Dec-18)	1)CARE A-; Stable (26-Mar-18) 2)CARE BBB+; Positive (22-May-17)
3.	Non-fund-based - LT-Bank Guarantees	LT	2.60	CARE A-; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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