

Jupiter Lifeline Hospitals Limited

February 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	339.43	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	339.43 (Rs. Three Hundred Thirty-Nine Crore and Forty-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating of Jupiter Lifeline Hospitals Limited (JLHL) continues to derive strength from well-established and experienced promoters with proven track record in healthcare industry, improved operational performance in 9MFY22, strong liquidity position of the company and favourable demand outlook for healthcare industry.

The rating of JLHL is constrained by moderation in financials risk profile due to debt funded acquisition of Indore hospital, further financial support envisaged for the Indore Hospital and risks related to stabilisation of operation of the same. CARE notes that company has strong liquidity profile, despite considering the net debt position, the debt metrics like Net Debt to GCA and Net Debt to PBILDT are on the higher side for this rating category. Further, rating is constrained by geographical concentration of revenue with higher dependence on the Thane Hospital, risk of competition from other hospitals and regulatory risk related to operations of hospitals.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in consolidated total operating income above Rs. 800 crores on sustained basis
- Improvement in operational performance of Indore Hospital reporting cash profits
- Reduction in overall gearing below unity

Negative Factors- Factors that could lead to negative rating action/downgrade:

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

Detailed description of the key rating drivers

Key Rating Strengths

Well-established and experienced promoters with proven track record in healthcare industry

JLHL incorporated in 2004 by three specialist doctors – Dr. Ajay Thakkar (Radiologist), Dr. Navin Davda (Clinical Cardiologist & Physician) and late 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 company is managed by the promoter family which holds around 53% of the business. Mr. Ajay Thakkar is Chairman and Managing Director who is primarily in-charge of overlooking entire operations. He is assisted by his son Mr. Ankit Thakkar who is the Chief Executive Officer. The company has also a strong second line of management who have been with the company since inception. The hospital began operations from 2007 and has been managed by the promoters efficiently since then. Further, the company commenced operations Pune hospital in June, 2017 and recently acquired Indore Hospital and commenced its operations from November 2020.

Stable FY 21 revenues with moderation in profitability, albeit improved operational performance in 9MFY22

Company's revenues on a consolidated basis increased marginally by 4.88% to Rs. 487.05 crores in FY21 vis-à-vis Rs. 464.39 crores in FY20. In 9MFY22, the company has achieved consolidated sales of Rs. 557.86 crores on account of increase in revenue contribution from Pune Hospital and revenue addition from recently acquired Indore Hospital. Company's consolidated PBILDT margin declined to 13.97% in FY21 vis-à-vis 18.10% in FY20 as the OPD remained closed during Q1FY21 due to lockdown imposed by Government on the onset of Covid-19 pandemic but the group had to incur its operational cost (salary of staff, increased purchases of PPE kits, gloves, etc) and also due to operating losses at Indore Hospital. Company registered consolidated loss of Rs. 2.3 crore in FY21 vis-à-vis net profit of Rs. 29.63 crores in FY20, whereas standalone net profit was Rs. 16.59 cr in FY21 vis-à-vis Rs. 29.63 crores in FY20. However, company's consolidated PBILDT and PAT margin improved significantly to 21.51% and 6.76% in 9MFY22 due to improved occupancy levels at Thane and Pune Hospital, however, stabilization of Indore hospital is yet to be achieved.

Strong liquidity position

The liquidity position of the company is strong which is marked by expected consolidated gross cash accruals of Rs. 70.69 crores for FY22 against consolidated repayment obligations of Rs. 7.54 crores in FY22 and consolidated unencumbered cash and liquid investment of Rs.111.47 crores as on December 31, 2021 (Rs. 87.30 crores of free FD and Rs. 24.17 crores of cash).

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Favourable demand outlook for healthcare industry

The healthcare market expected to increase three-fold to Rs. 8.6 trillion (US\$ 133.44 billion) by 2022. Most hospitals are operating at an average occupancy of ~60-70% with bed capacity being higher than operational beds, which implies decent headroom for growth at existing facilities. Indian government is planning to introduce a credit incentive programme worth Rs. 500 billion (US\$ 6.8 billion) to boost the country's healthcare infrastructure. The healthcare industry is extending the services of e-consultations and other home care services that will also support the revenues. Increase in momentum of non-Covid treatments and elective surgeries which tend to provide better ARPOBs on an average compared to the ARPOBs from Covid patients will support the industry growth in FY22. Thus, the hospital & healthcare industry is expected to grow by about 10%-12% during FY22.

Key Rating Weaknesses

Moderation in financials risk profile due to debt funded acquisition of Indore hospital

JLHL has invested Rs. 58 crores as on Mar 31, 2021 in subsidiary company Jupiter Hospital Projects Pvt Ltd (JHPPL) in the form of 76% of equity share of Rs. 38 crores and 100% optionally convertible redeemable preference shares (OCRPS) of Rs. 20 crores during FY21. JHPPL has fully acquired the business operations of Vishesh Diagnostics Private Limited (VDPL) for its hospital located at Ring Road, Indore with a capacity of 200 beds through a slump sale from VDPL effective November 15, 2020 for a consideration of Rs. 200 crores of which Rs. 160 crores was funded by a term loan and the balance by internal accruals. Company's consolidated overall gearing deteriorated to 1.73x as on Mar 31, 2021 vis-à-vis 1.15x as on Mar 31, 2020 on account of debt funded acquisition and decline in operating profitability. However, standalone overall gearing improved marginally to 1.03x as on Mar 31, 2021 vis-à-vis 1.13x as on Mar 31, 2020.

CARE notes that company has cash balance of Rs. 111.47 crores as on December 31, 2021. However, considering the net debt position, the debt metrics like Net Debt to GCA and Net Debt to PBILDT are on the higher for this rating category. Company's consolidated Net Debt/ GCA stood at 12.91x as on Mar 31, 2021 and 6.07x as on Dec 31, 2021. Net Debt/ PBILDT stood at 5.92x as on Mar 31, 2021 and 3.27x as on Dec 31, 2021. However, CARE notes that consolidated repayment obligations for next 2-3 years are low compared consolidated gross cash accruals of the company.

Financial support envisaged in subsidiary and risk related to stabilisation of operation

JLHL has investment of Rs. 68 crores in the form equity of Rs. 38 crores and OCRPS of Rs. 30 crores as on Dec 31, 2021. JLHL has envisaged further investments in JHPPL in current year and next year to fund its operations and equipment capex. JHPPL achieved Rs. 25.14 crores of revenue in FY21 (for the period of Nov 15, 2021 to Mar 31, 2021) with operating loss of Rs. 1.83 crores and cash loss of Rs. 18.89 crores. However, JHPPL achieved Rs. 59.69 crores of Revenue with operating loss of Rs. 2.53 crores in 9MFY22. Expected enrolment in GIPSA Preferred provider network hospital for cashless service likely to support JHPPL's revenue going forward and its stabilisation of operation is key rating monitorable.

Geographic concentration of revenue

Company's consolidated total revenue is highly concentrated at Thane Hospital. However, since the commencement of commercial operations of Pune Hospital from June 2017 onwards, the contribution from Pune Hospital to total revenue has shown an increasing trend with 30% of total sales from Pune hospital in FY21 (23% in FY20 and 17% in FY19). Commercial operation in Indore Hospital has started from Nov, 2020 and has shown an increasing trend. It is expected that with fully ramped up operations at Pune hospital and with rising occupancy levels at Indore hospital, the geographic concentration risk is expected to reduce in the coming years.

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

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: Strong

Company's strong liquidity position is marked by expected consolidated gross cash accruals of Rs. 70.69 crores for FY22 against consolidated repayment obligations of Rs. 7.54 crores in FY22 and consolidated unencumbered cash and liquid investment of Rs.111.47 crores as on December 31, 2021 (Rs. 87.30 crores of free FD and Rs. 24.17 crores of cash).

Analytical approach: Consolidated

CARE has changed the analytical approach from standalone to consolidated. The consolidation was done on back of financial support to subsidiary. The consolidated approach includes Jupiter Lifeline Hospitals Limited (JLHL) and subsidiary Jupiter Hospital Projects Private Limited (JHPPL) holding 76% stake by JLHL.

Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Hospital](#)

[Service Sector Companies](#)

About the Company

Jupiter Lifeline Hospitals Limited (JLHL) incorporated in 2004 by three specialist doctors – Dr. Ajay Thakkar (Radiologist), Dr. Navin Davda (Clinical Cardiologist & Physician) and Late Dr. Gautama Ramakanthan (Gastroenterologist & Physician). JLHL owns and operates multi-specialty tertiary care hospitals with 346 beds in Thane, Maharashtra and 216 beds in Pune as on September 30, 2021. The hospital in Thane commenced operations on July 25, 2008 and hospital in Pune commenced operations on June 30, 2017. Jupiter Lifeline Hospitals Limited has invested in Jupiter Hospital Projects Private Limited holding 76% stake as on Mar 31, 2021. JHPPL is running multi-speciality Hospital in Indore acquired from Vishesh Diagnostics Private Limited, through slump sale on November 16, 2020 by executing a Business Transfer Agreement; wherein all the assets and liabilities of Vishesh Diagnostics Private Limited as on November 15, 2020 have been transferred to JHPPL.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	464.39	487.05	557.86
PBILDT	84.04	68.05	119.97
PAT	29.63	-2.30	37.69
Overall gearing (times)	1.15	1.73	NA
Interest coverage (times)	3.27	1.75	3.63

A: Audited NA: Not Available

Status of non-cooperation with previous CRA: N/A

Any other information: N/A

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

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

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	IS IN	Date of Issuance	Coup on Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	July 2032	301.93	CARE A-; Stable
Fund-based - LT-Cash Credit		-	-	-	35.00	CARE A-; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	2.50	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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	301.93	CARE A-; Stable	-	1)CARE A-; Stable (12-Feb-21)	1)CARE A-; Stable (06-Jan-20)	1)CARE A-; Stable (28-Dec-18)
2	Fund-based - LT-Cash Credit	LT	35.00	CARE A-; Stable	-	1)CARE A-; Stable (12-Feb-21)	1)CARE A-; Stable (06-Jan-20)	1)CARE A-; Stable (28-Dec-18)
3	Non-fund-based - LT-Bank Guarantee	LT	2.50	CARE A-; Stable	-	1)CARE A-; Stable (12-Feb-21)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : N/A
Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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

Contact us

Media Contact

Name: Mradul Mishra
 Contact no.: +91-22-6754 3573
 Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Soumya Dasgupta
 Contact no.: 022- 6754 3456
 Email ID: soumya.dasgupta@careedge.in

Relationship Contact

Name: Saikat Roy
 Contact no.: +91-98209 98779
 Email ID: saikat.roy@careedge.in

About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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