

Jupiter Lifeline Hospitals Limited

January 06, 2020

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---|---|--|-------------------|
| Long Term Bank Facilities (Term Loan) | 263.70 | CARE A-; Stable [Single A Minus; Outlook: Stable] | Reaffirmed |
| Long Term Bank Facilities (Fund Based) | 25.00 | | |
| Total | Rs.288.70 (Rs. Two Hundred and Eighty Eight crore seventy lakh only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in 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, favorable operational performance of hospital in Thane and favorable demand outlook for healthcare services in India.

The rating is however constrained by geographical concentration of income, EBIDTA losses in Pune hospital in FY19, risk of competition from other hospitals as well as regulatory risk in healthcare industry.

Rating Sensitivity:

Positive Factors:

- Improvement in operational performance of Pune Hospital resulting in hospital reporting cash profits.
- Reduction in overall gearing below 1.00x

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. The promoters have also ensured that renowned medical practitioners are empaneled with the hospital 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 though lower than envisaged

JLHL reported increase in revenue by 24% to Rs. 398 crore in FY19 on account of commencement of operations at Pune hospital. Further, the 300 bed hospital located in Baner, Pune commenced operations on June 30, 2017. The company has already incurred hard infrastructure cost at this facility and further ramp up is expected to be smooth depending on market acceptability. The hospital reported revenue of Rs. 24 crore in FY18 and Rs. 69.28 crore in FY19. The hospital was envisaged to report cash positive performance in FY19; however, due to initial operating issue the hospital reported loss at PBLDT level.

Average revenue per occupied bed (ARPOB) for Thane unit has been moderated from Rs. 38,518 in FY18 to Rs. 37,046 in FY19 on account of increase in no. of beds. However, ARPOB for Pune unit increased from Rs. 20,439 in FY18 to Rs. 26,047 in FY19 along with increase in overall occupancy rate.

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

Favorable demand outlook for healthcare services in India

Hospital industry accounts for around 70% of total healthcare market. Indian healthcare industry has been growing at a CAGR of 16-17% to reach Rs. 8.6 trillion by FY22 from Rs. 4 trillion in FY17. This will be mainly driven by rise in per capita spending on healthcare, change in demographic profile, transition in disease profile, increase in health insurance penetration, and fast growing medical tourism market.

Key Rating Weaknesses***Geographic concentration of income***

JLHL continues to depend up on Thane unit which contributes 83% in total income in FY19. However, with commencement of Pune unit, income concentration risk is partially mitigated. Additionally, Pune hospital operations were disrupted by floods during August, 2019. Two departments, Radiation oncology and CSSD were flooded on 4th August, 2019 and JLHL has raised claim amounting to Rs. 30 crore from insurance company. Going forward, ability of Pune hospital to turn cash positive will be key rating monitor able.

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.6.65 crore and current ratio being 1.28 as on March 31, 2019. The average working utilization is 41% for the period of 12 months ending on August, 2019. The company's operating cycle is negative, which is generally the case in hospital sector. JLHL has total repayments of Rs.10.83 crore and Rs.13.76 crore in FY20 and FY21 against expected cash accruals of Rs.50 crore and Rs.59 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 342 beds in Thane as on March 31, 2019 and 193 beds in Pune as on September 30, 2019 in Maharashtra. 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 55 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.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income | 321.81 | 399.87 |
| PBILDT | 56.06 | 66.40 |
| PAT | 29.91 | 18.14 |
| Overall gearing (times) | 1.06 | 1.18 |
| Interest coverage (times) | 3.47 | 2.80 |

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

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 | 263.70 | CARE A-; Stable |
| Fund-based - LT-Bank Overdraft | - | - | - | 25.00 | 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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Fund-based - LT-Term Loan | LT | 263.70 | CARE A-; Stable | - | 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-Bank Overdraft | LT | 25.00 | CARE A-; Stable | - | 1)CARE A-; Stable (28-Dec-18) | 1)CARE A-; Stable (26-Mar-18) 2)CARE BBB+; Positive (22-May-17) | - |

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

Contact us

Media Contact

Mr. Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Pulkit Agrawal
Contact no. - 022-67543505
Email ID- pulkit.agrawal@careratings.com

Relationship Contact

Mr. Ankur Sachdeva
Contact no. – +91-22-6754 3495
Email ID: ankur.sachdeva@careratings.com

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