Press Release

Jupiter Hospital Projects Pvt Ltd (JHPPL)

January 21, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned*
1.	Long Term Fund Based Facility – Term Loan	170.00	IVR BBB+ [CE]/Stable (IVR Triple B Plus [Credit Enhancement] with Stable Outlook)
2.	Short Term Fund Based Facility - Overdraft	10.00	IVR A2 [CE] (IVR A Two [Credit Enhancement]
	Total	**180.00**	

**CE rating based on Letter of Comfort/Undertaking provided by the parent company namely Jupiter Lifeline Hospitals Ltd for the bank facilities availed by Jupiter Hospital Projects Pvt Ltd to meet any shortfall in principal and interest servicing obligations.*

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from their experienced promoters with proven track record in the healthcare industry, financial support from promoter and creation of DSRA for repayment of debt. However, geographical concentration with intense competition, high gestation period, high cost of medical equipment resulting in elongated payback period and impact of regulatory restrictions on revenues are the rating constraints.

The rating of the instrument is based on the letter of comfort/undertaking provided by the parent company namely Jupiter Lifeline Hospitals Pvt Ltd for the bank facilities availed by Jupiter Hospital Projects Pvt Ltd to meet any shortfall in the principal and interest servicing obligations. Given the letter of comfort/undertaking from the parent company which results in a credit enhancement in the rating of the bank facilities to **IVR BBB+ [CE]/ Stable (IVR Triple B Plus [Credit Enhancement] with Stable Outlook and IVR A2 [CE] (IVR A Two [Credit Enhancement])** against the unsupported rating of **IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook) and IVR A3 (IVR A Three).**

Key Rating Sensitivities

Upward factors:

- Improvement in profitability and liquidity as projected

Downward factors:

- Increase in leverage and deterioration in debt protection metrics leading to pressure on liquidity would warrant a review in ratings

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced 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.

Financial support from parent company and creation of DSRA for repayment of debt

Under the terms of the sanction from bankers the parent company (Jupiter Lifeline Hospitals Ltd) of JHPPL has provided an undertaking which is backed by a board resolution to meet any shortfall in the principal and interest servicing obligations. The sanction also dictates the creation of a debt service reserve account (DSRA) in the form of Fixed Deposits or Mutual Funds which are AAA rated. The amount of DSRA must be equal to 3 months of interest obligations due in the next 12 months.

Key Rating Weaknesses

High Geographical concentration; intense competition

JHPPL's operations are confined to the state of Madhya Pradesh, making it vulnerable to the dynamics of a single market and entry of any big player in the region. Moreover, the company faces tough competition from private and government hospitals.

High gestation period, high cost of medical equipment – all resulting in elongated payback period

The hospital segment is capital intensive with a long gestation period usually. Generally, the payback period for a new hospital is about 4-5 years. Further, the maintenance capex required for the hospital segment also remains high owing to regular replacement of equipment to remain updated with the latest technology. With technology evolving day by day, the need to train their existing manpower to handle highly sophisticated deliverance of care becomes important. With limited resources and high attrition rates in the healthcare sector, training and development becomes tough, which can in turn impact the desire to offer quality services to the patient.

Impact of regulatory restrictions on revenues

The pricing of multiple medical inputs is controlled by government regulatory agencies, more specifically by NPPA (National Pharmaceutical Pricing Authority) in India with the motive of bringing transparency and rationale in the billing process and to maintain a viable ceiling on the prices of medical inputs. The hospitals are also mandated to treat certain patients belonging to the economically weaker section of the society at a subsidised cost. This poses a huge financial burden on the hospitals, due to the rising equipment and operating costs and in some cases it is even difficult for the hospitals to identify if the beneficiary of any subsidised scheme is bonafide or not, which inadvertently affects their top-line. Additionally, the National Accreditation Board for Hospitals and Healthcare providers, under the purview of the Ministry of Commerce (under GoI) provides guidelines for running hospitals emphasizing on protocols and internal control mechanisms.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Service Sector Companies

Rating Methodology for Structured Debt Transactions (Non-securitization Transaction)

Financial Ratios and Interpretation (Non-Financial Sector)

Liquidity - Strong

JLHL has a strong liquidity profile evident from the current ratio of 1.71x and quick ratio of 1.54x along with gross cash accruals amounting to INR55.55 crore and a cash and bank balance of INR6.96 crore at the end of FY20, the company has short term obligations amounting to INR34.28 crore (interest charges of INR25.69 crore and current portion of long term debt amounting to INR8.59 crore), post which the company has adequate cash buffers.

About the company

Jupiter Hospital Projects Private Limited (JHPPL) is the 100% subsidiary of Jupiter Lifeline Hospitals Ltd (JLHL) JHPPL was incorporated in 2011. Jupiter Lifeline Hospitals Ltd. (JLHL) is an India based multi-specialty hospital in Mumbai which provides 24*7 ultra-modern treatments at affordable rate. JLHL multi-specialty offers the finest care for the treatment and management of a wide array of diseases and disorders that require medical or surgical intervention. JLHL has highly specialized and coordinated medical teams offering personalized and integrated treatments in the fields of cardiology, oncology, neurology, nephrology, orthopedics, rheumatology, pediatrics and many other specialties. JHPPL has fully acquired the business operations of Vishesh Diagnostics Private Limited (VDPL) for its hospital located at Ring Road, Indore as of Nov. 2020. The total deal size is approximately INR253.42 crores (the amount spent in the construction of the new facility at Ring Road, Indore by VDPL).

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-21
	(Projected)
Total Operating Income	31.50
EBITDA	13.15
PAT	NM
Total Debt	180.00
Tangible Net-worth	NM
Ratios	
EBITDA Margin (%)	41.75%
PAT Margin (%)	NM
Overall Gearing Ratio (x)	NM

NM – Not meaningful
* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Term Loan	Long Term	170.00	IVR BBB+ [CE]/ Stable Outlook	--	--	--
2.	Short Term Fund Based Facility – Overdraft	Short Term	10.00	IVR A2 [CE]			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loan	NA	NA	Up to 2033	170.00	IVR BBB+ [CE]/ Stable Outlook
Short Term Fund Based Facility – Overdraft	NA	NA	NA	10.00	IVR A2 [CE]