Press Release

JR Super Specialty Hospitals Private Limited

June 12, 2020

Rating

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long Term Fund Based Bank Facilities (Proposed)	60.00*	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Total	**60.00 (Sixty crore)**		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of JR Super Specialty Hospitals Private Limited (JRSSHPL) derives comfort from being a part of well-established and diversified Accord group, its experienced & resourceful promoters and infusion of funds through unsecured loan. The rating also positively factors in its comfortable financial risk profile and satisfactory occupancy ratio. These rating strengths are partially offset by short track record of operation of hospital, high vulnerability to reputation risks, fiercely competitive healthcare industry limiting the ability to attract and retain high-quality consultants and capital-intensive nature of the industry.

Key Rating Sensitivities

Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.
- Improvement in the capital structure and debt protection metrics

Downward factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, could lead to a negative rating action.
- Moderation in the capital structure and/or moderation in debt protection metrics

- Variation of more than 5% in key financial figures of audited financial statements from reported figures of provisional financial statements of FY20 could trigger the negative rating action.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Promoted by well-established and diversified Accord group

JR Super Specialty Hospital Private Limited is part of the “Accord Group”. Accord Group was established in 1984, is being guided by Dr. S. Jagathrakshakan. Accord Group has presence in various industries such as education, hospitality, healthcare, liquor and other. AG has established Bharath University providing engineering courses and Shree Balaji Medical College and Hospital providing medical courses. AG group serves to the educational need of 30000 students under its various courses. AG has premium hotels in Chennai, Pondicherry and Ooty under the brand name of “Accord Metropolitan”. AG has presence in liquor industry through Accord Distillers and Brewers Privat Limited.

Experienced and resourceful promoters

JR Super Speciality Hospital Private Limited is promoted by Dr. S. Jagathrakshakan and family having vast business experience. Further, the hospital is mentored by Dr. Mohammed Rela who holds expertise in liver transplantation and has completed over 4000 liver transplantation surgeries in his career.

Comfortable financial risk profile

JRSSHPL has commenced its operations from September, 2018 and within first 6 months recorded an income of Rs.66.68 crore in FY19. In FY20 (Prov.), the company has registered the growth of ~200% and recorded a revenue of Rs.200.78 crore with the PAT of Rs.16.18 crore. The Company has generated adequate accruals to meet the interest obligations reflected in the interest coverage which stood healthy at 10.56 times in FY20 (Prov.). Long term debt to gross cash accruals stood comfortable at 1.77 years. Going forward, Infomerics believes the financial risk profile of JRSSHPL to remain healthy on the back of consistent growth in its cash accruals.

Infusion of funds through unsecured loan

Promoters and group companies have infused the funds through unsecured loans to meet the capex and working capital requirement. The promoters have infused around Rs. 11.20 crore in FY20 to meet the capex requirement. Further, exposure in diversified ventures under Accord Group having strong net worth base also imparts comfort for further support from the promoters/group.

Satisfactory occupancy ratio

Dr. Rela Institute and Medical Centre (DIMC), has a bed capacity of 450 beds out of which highest beds capacity is allotted to general and private ward department (44%), followed by ICU department (28%), Private Cabin (21%) and rest to other departments. DIMC has reported satisfactory occupancy rate of 80% for general and private ward department, 70% for Private Cabin, 40% for ICU department in first complete year of operations (FY20).

Key Weaknesses

Short track record of operation of hospital

The hospital operations commenced from September, 2018 hence it is in its nascent stage of operations. However, despite its initial stage of operations the hospital attained a decent occupancy level and earned cash profit.

High vulnerability to reputation risks

Healthcare is a highly sensitive sector where any mishandling of a case or negligence on the part of any doctor and/or staff of the unit can lead to adverse publicity and affect operation.

Fiercely competitive healthcare industry limiting the ability to attract and retain high-quality consultants

The healthcare industry is very competitive with a large number of established organized players and their growing network of hospitals catering to middle/high income group which has affected the pricing flexibility of the company, in addition to restricting occupancies to a certain extent. Further, improvement of the occupancy levels is highly dependent on the hospital's ability to retain and add reputed consultants which will be a challenge in light of heightened competition in the healthcare sector. However, this hospital is providing specialized services of transplant of lever.

Capital intensive nature of industry

The hospital segment is capital intensive industry with a long gestation period. Generally, the payback period (PBP) for a new hospital is in the range of 5-6 years. Further, the maintenance capex required for the hospital industry also remains high owing to regular replacement of equipment to remain updated with the latest technology.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is adequate marked by its comfortable expected gross cash accruals on the back of satisfactory operating performance in FY20, which is expected to continue in projected fiscals leading to which debt protection metrics is expected to be comfortable. Further, infusion of unsecured loans on the regular basis in the past also imparts some comfort about meeting the fund requirements in future.

About the Company

Incorporated in year 2017, JR Super Specialty Hospitals Private Limited (JRSSHPL) is running a hospital based out of Chennai by the name of Dr. Rela Institute and Medical Centre (DRIMC). JRSSHPL is promoted by Mr. S Jagathrakshakan and other family members. DRIMC has commenced its operations in September, 2018.

JRSSHPL is part of an Accord Group, established in 1984, is being guided by Dr S. Jagathrakshakan. Accord Group has presence in various industries such as education, hospitality, healthcare, liquor and other industries.

Financials (Standalone): (Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	66.78	200.78

For the year ended*	31-03-2019	31-03-2020
EBITDA	-5.09	24.47
PAT	-7.99	16.18
Total Debt	12.85	21.85
Tangible Net worth	-4.65	11.51
EBITDA Margin (%)	-7.62	12.19
PAT Margin (%)	-11.85	7.97
Overall Gearing Ratio (x)	-2.76	1.90

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. 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.	Cash credit	Long Term	60.00*	IVR BBB- / Stable	-	-	-

Mentioned facility is on proposed basis

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:

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit* (Proposed)	-	-	-	60.00	IVR BBB- / Stable