



Press Release

Vishesh Diagnostics Pvt Ltd (VDPL)

August 25, 2020

Ratings

c	Instrument/Facility	Amount (INR Crores)	Rating Assigned
1.	Long Term Facility – Fund Based – Term Loan	159.12	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)
2.	(Proposed) Long Term Facility – Fund Based – Term Loan	4.32	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)
3.	Short Term Facility – Fund Based – Overdraft	4.00	IVR A3+ (IVR A Three Plus)
4.	(Proposed) Short Term Facility – Fund Based – Overdraft	10.00	IVR A3+ (IVR A Three Plus)
	Total	177.44	

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from its experienced promoter and staff, modern infrastructure and latest equipment, financial and operational support from Jupiter Lifeline Hospitals Ltd and Moderate financial profile. However, the rating strengths are partially offset by high geographical concentration and intense competition, high gestation period, high cost of medical equipment – all resulting in elongated payback period, impact of regulatory restrictions on revenues.

Key Rating Sensitivities

Upward factors:

- Substantial & sustained improvement in revenues
- Improvement in liquidity
- Reduction of overall gearing ratio below 1.00x

Downward factors:

- Further decline in revenues and liquidity
- Any delay in financial support from Jupiter Lifeline Hospital Ltd would warrant a rating review



Press Release

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoter and staff

VDPL was founded in the year 1986 spearheaded by Dr. Rajesh Kasliwal who is presently the director of the company; he has over 30 years of experience in field of medicine. He is also accompanied by Mrs Alka Kasliwal who possess over 20 years of experience and looks after the administration and human resources department. The hospital also boasts of many top notch surgeons and doctors who have an experience of over 10 years in their respective fields.

Modern infrastructure and latest equipment

The hospital has state-of-art equipment and facilities available for its patients. The medical services provided by the hospital are in the fields of Gastroenterology, Nephrology, Cardiology, Neurology, General Surgery, Gynaecology etc. Latest facilities offered are Cardiothoracic Intensive Care Unit, Catheterization Laboratory, Child Development Center, Pediatric Intensive Care Unit – PICU. The hospital also has central India's first 24*7 pharmacy and blood bank.

Financial and operational support from Jupiter Lifeline Hospitals Ltd

Jupiter Lifeline Hospitals Ltd (JLHL) is one of the top hospitals in India and their promoters have a long track record of over 18 years of successfully managing profitable operations and being resourceful at the same time. JLHL through their SPV, Jupiter Hospital Projects Pvt Ltd (JHPPL) is intending to acquire Vishesh Hospital located at Ring Road, Indore. The deal is structured as 76% of the share in Vishesh Hospitals will be with JLHL and 24% share will be with the promoters of Vishesh Hospitals. As per the deal, JLHL has already infused an amount of INR21.90 crore into VDPL (the company has submitted an undertaking stating the same).



Press Release

Moderate financial profile

The financial risk profile of the company is expected to be moderate majorly because of an increase in debt caused by the capital expenditure on the new hospital located at Ring Road, Indore. The fact that the industry is highly capital intensive on account of high real estate and high equipment costs, the company spending on these has put pressure on their debt-protection parameters. The capex cost amounts to INR253.42 crore – of which INR233.00 crore has been already spent on acquisition of land, construction of new building and purchase of other fixed assets, this may result in lower than usual margins due to the high gestation period in the industry. The gearing ratio is expected to decline from 1.33x in FY20 (P) to 1.18x in FY21, post-acquisition.

Key Rating Weaknesses

High Geographical concentration; intense competition

VDPL's operations are concentrated in 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



Press Release

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: Consolidated

Vishesh Diagnostics Pvt. Ltd (VDPL) has received a letter of intent from Jupiter Lifeline Hospitals Ltd. (JLHL) to acquire 76% stake in Vishesh Hospital located at Ring Road, Indore owned by VDPL. The acquisition will be done through wholly owned subsidiary of JLHL i.e., Jupiter Hospital Projects Pvt Ltd. (JHPPL). As on July 31, 2020 a total amount of INR 21.90 crores has been already paid by JHPPL to VDPL and further funds shall be paid on adhoc basis for support of operating activities and/or financial costs of VDPL from time to time as agreed by the board of directors of JLHL and JHPPL. Accordingly, we have consolidated the financials of VDPL and JLHL for FY2020 as well as future years to arrive at the credit ratings.

Applicable Criteria

Rating Methodology for Service Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Liquidity is adequate, with GCA of INR79.08 crore of the combined entity as compared to their debt obligations amounting to INR63.50 (including CPLTD + Interest) in FY21, leaving them with sufficient amount of buffer. The combined entity has a modest current and quick ratio of 1.82x and 1.59x respectively in FY21.

About the Group and Company

Vishesh Diagnostics Pvt Ltd (VDPL) was established in 1986 by Dr. Rajesh Kasliwal. The 75-bed hospital at Indore offers a range of healthcare facilities in the fields of cardiology,



Press Release

neurology, nephrology among others. The hospital strives to offer the latest health care facilities on par with international standards. VDPL has recently opened Multispecialty Hospital at Ring Road, Indore that was inaugurated in the month of January 2020. The facility has state-of-the-art lab facilities with a capacity of 285 beds, 24*7 Ambulance services and other essential and modern amenities. Jupiter Lifeline Hospitals Ltd. (JLHL) is an India based multi-specialty hospital in Mumbai which provides 24*7 ultra-modern treatments at affordable rate.

Financials (Consolidated)*:

For the year ended/ As On	31-03-2020
	(Provisional)
Total Operating Income	498.18
EBITDA	87.98
PAT	24.07
Total Debt	423.60
Tangible Net-worth	283.56
Ratios	
EBITDA Margin (%)	17.66
PAT Margin (%)	4.80
Overall Gearing Ratio (x)	1.33

The deal between Vishesh Diagnostics Pvt Ltd and Jupiter Lifeline Hospitals Ltd is expected to be completed in FY21, and hence we have provided the consolidated provisional figures for FY20.

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None



Press Release

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 Facility –Fund Based - Term Loan	Long Term	159.12	IVR BBB/ Stable Outlook	--	--	--
2.	(Proposed) Long Term Facility – Fund Based – Term Loan	Long Term	4.32	IVR BBB/ Stable Outlook	--	--	--
3.	Short Term Facilities – Fund Based – Overdraft	Short Term	4.00	IVR A3+	--	--	--
4.	(Proposed) Short Term Facilities – Fund Based – Overdraft	Short Term	10.00	IVR A3+	--	--	--

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.



Press Release

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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 Facility –Fund Based - Term Loan	NA	NA	Up to 2032	159.12	IVR BBB/ Stable Outlook
(Proposed) Long Term Facility – Fund Based – Term Loan	NA	NA	-	4.32	IVR BBB/ Stable Outlook
Short Term Facilities – Fund Based – Bank Guarantee	NA	NA	Less than 1 year	4.00	IVR A3+
(Proposed) Short Term Facilities – Fund Based – Bank Guarantee	NA	NA	-	10.00	IVR A3+