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JR Super Specialty Hospitals Private Limited

March 6, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	40.00	IVR BBB/ Stable (IVR triple B with Stable outlook)	Reaffirmed	Simple
Total	40.00 (Rs. Forty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed its rating assigned to the bank facilities of JR Super Specialty Hospitals Private Limited (JRSSHPL) on the back of experienced promoter and management, improvement in occupancy levels leading to increase in revenues and margins in the past fiscals and adequate tie ups with TPA's and corporates. However, these rating strengths are constrained by aggressive capital structure and adequate debt protection metrics, significant investments, and loans and advances extended to related parties, high competition in the sector and single asset concentration and limited geographical presence.

Key Rating Sensitivities:

Upward Factors

- Improvement in the total operating income by more than 15% on a sustained basis.
- Sustained improvement in EBITDA margin exceeding 15% leading to improvement in cash accruals and liquidity position
- Improvement in overall gearing ratio to around unity

Downward Factors

- Any decline in revenue and profitability leading to deterioration in debt protection metrics.



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- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company
- Further exposure in group companies, impinging its own cash accrual, thereby impacting liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experience promoter and management**

JSPL running a hospital named Dr. Rela Institute and Medical Centre (DRIMC) based in Chromepet, Chennai. The company is promoted by Dr. Jagathrakshakan Swamikannu who has more than four decades of experience in educational institutions, liquor industry, steel industry, hospitality industry, jewellery industry, healthcare and others, and Dr. Srinisha Jagathrakshakan who has more than one decade of experience in health care sector. DRIMC is mentored by Dr. Mohammed Rela, Chairman & MD, who has a track record of conducting over 5000 successful liver transplantation surgeries and Dr. Ilankumran Kaliamoorthy, CEO, who has more than five decades of experience as MBBS doctor. JSPL is a part of the Accord group which was incorporated in 1991. Being a part of an established group provides the necessary financial comfort.

- **Improvement in occupancy levels leading to increase in revenues and margins in the past fiscals**

The average occupancy levels of the hospital have gradually improved in the past two fiscals on improvement in referrals. The average occupancy levels of the company have improved from 40% in FY21 to 48.42% in FY22 and 53% in FY23. Total operating revenue (TOI) of the company has increased to Rs. 381.98 crore in FY23, from Rs.326.69 crore in FY22, due to increase in inpatient revenue to Rs. 307.01 crore in FY23 from Rs.271.71 crore in FY22. Led by an increase in topline, EBITDA and PAT improved by 8.49% and 36.97% y-o-y to Rs. 38.97 crore and Rs. 15.14 crore, respectively in FY23. Further during 9MFY24 (provisional), the company's total operating income increased by 10% y-o-y to Rs. 311.30. EBITDA increased to Rs.44.40 crore up 37.66% y-o-y due to increase in topline and gains from economies of scale. Infomerics believes that the topline and profit will continue to increase going forward



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with the setup of a new oncology and cardiology unit which will also diversify the company's revenues.

- **Adequate tie ups with TPA's and corporates**

The hospital has tie up facilities with 12 private insurance companies, 20 TPA, and 16 corporates for treating the corporate and other patients. The hospital also has a tie -up with the Ministry of health Oman & Bahrain for treating its overseas patients.

Key Rating Weaknesses

- **Aggressive capital structure and adequate debt protection metrics**

The company's capital structure is aggressive with total debt of Rs. 209.73 crore as against networth of Rs. 37.68 crore as on March 31, 2023. Overall gearing ratio was high at 5.57x as on March 31, 2023, though the same improved from 9.69x as on March 31, 2022 mainly on account of decline unsecured loans from related parties (in the form of ICD's from group companies) as well as bank borrowing coupled with increase in networth due to accretion of reserves to profit. TOL/ TWN improved to 8.48x on March 31, 2023, from 13.45 times as on March 31, 2022, due to increase in net worth along with decrease in long term loan. Interest coverage ratio was adequate at 4.23 times in FY23, compared with 3.71 times in FY22 due to a slight decrease in interest cost coupled with an increase in EBITDA. Total debt to GCA improved to 7.41 times in FY23 from 8.60x in FY22 due to increase in GCA coupled with a decline in total debt.

- **Significant investments, and loans and advances extended to related parties**

As on March 31, 2023, the company has equity investment and loans and advances aggregating Rs. 159.45 crore made to related parties and companies (Rs.166.03 crore as on March 31, 2022) which represented compared with Rs. 166.03 crore as on March 31, 2022. There is a lack of clarity regarding the extent and timelines for the repayment of loans. Infomerics believes that this exposure to group companies, might impinge its own cash flow and may impact its financial risk profile and will remain a key monitorable.

- **High competition in the sector**



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Chennai has several super specialty hospitals having varied offerings in the hepatology domain. There are also some medical colleges and associated hospitals which also increase the competitive intensity in specialized hepatology domain.

- **Single asset concentration and limited geographical presence**

JR Super Specialty Hospitals Pvt. Ltd. currently has only one hospital named as 'Dr. Rela Institute and Medical Centre' under its ambit. Also, it is located in Chennai. This exposes the cashflows of the company to concentration-related risks.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Service Sector](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Default Recognition Policy](#)

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term marked by sufficient cash accruals vis-à-vis its debt repayment obligations. JRSSPL's average fund based working capital utilization for the 12 months ended January 2024 stood around 97%. However, absence of any capex provides support to the liquidity.

About the company

JSPL was incorporated in 2017. It is running a hospital in Chromepet, Chennai by the name Dr. Rela Institute and Medical Centre (DRIMC). JSPL is promoted by Dr. Jagathrakshakan Swamikannu and other family members. DRIMC has commenced its operations in September 2018. DRIMC is mentored by Dr. Mohammed Rela, Chairman & MD, who has a track record of conducting over 5000 successful liver transplantation surgeries and Dr. Ilankumran Kaliamoorthy, CEO, who has more than five decades of experience as MBBS doctor. The hospital is renowned for its liver transplantation unit. JSPL is part of Accord Group which includes companies such as Sri Lakshmi Ammal Educational Trust (School) and Accord



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Distillers & Brewers Pvt. Ltd. (engaged in manufacturing of liquor), established in 1984, is being guided by Dr. Jagathrakshakan Swamikannu. Accord Group has presence in various industries such as education, hospitality, healthcare, liquor and other industries.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	326.69	381.98
EBITDA	35.92	38.97
PAT	11.05	15.14
Total Debt	219.90	209.73
Tangible Net worth	22.69	37.68
EBITDA Margin (%)	10.99	10.20
PAT Margin (%)	3.35	3.90
Overall Gearing Ratio (x)	9.69	5.57

*As per Infomerics' Standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (January 2, 2023)	Date(s) & Rating(s) assigned in 2021-22 (November 26, 2021)	Date(s) & Rating(s) assigned in 2020-21 (June 12, 2020)
1.	Cash Credit	Long Term	40.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB-/ Positive	IVR BBB-/ Stable

Name and Contact Details of the Rating Analyst:

Name: Mr. Sandeep Khaitan Tel: (033) 46022266 Email: sandeep.khaitan@infomerics.com

About Infomerics:



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Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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
Cash Credit	-	-	-	40.00	IVR BBB/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-JR-Super-Specialty-06032024.pdf>



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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

