



Press Release

JB Healthcare Private Limited

September 05, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	375.00	IVR BBB-/ Stable (IVR Triple B Minus with stable Outlook)	-	Assigned	Simple
Short Term Bank Facility	6.13	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	381.13	Rupees Three Hundred and Eighty one Crores and thirteen Lakhs Only			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BBB- with a Stable outlook and short-term rating of A3 for the bank loan facilities of JB Healthcare Pvt. Ltd (JBHL).

The rating draws comfort from the qualified and experienced management, financial support from the Directors, Service agreement between the company and Venkateshwara Hospital's, (Dwarka) modern infrastructure and equipment's. However, these strengths are partially offset by capital intensive and human resource intensive nature of business, predominantly debt funded large size capital expenditure being undertaken by the company, high vulnerability to treatment related risk and operation risk and highly fragmented nature of the healthcare industry with stringent regulatory framework.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes JBHL will continue to benefit over the longer term due to increasing incidence of lifestyle diseases in India, coupled with factors such as better affordability, widening medical insurance coverage, growing awareness and under-penetration of healthcare services.

IVR has principally relied on the standalone audited financial results of JBHL upto 31 March 2023 and Provisional financials for FY2024 (Refer period from April 01, 2023 to March 31, 2024) and Projected financials for FY2025 to FY2027, and publicly available information/clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Achievement of projected scale of operations and EBITDA margins
- Improvement in debt protection metrics
- Sustenance overall gearing below 2.50x
- Timely completion of capex with no cost or time overrun

Downward Factors

- Time or cost over-run in the on-going project impacting the capital structure of liquidity
- Significant reduction in the scale of operations and profitability margins
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Qualified and experienced management:**

The Promoters of the project are involved in the field of healthcare and have been operating Venkateswar Hospital at Dwarka, Delhi over the last 7 years. The Hospital's Chairman of advisory council -Mr. YP Bhatia has a wide experience of over 30 years in healthcare industry. Existing Venkateswar Hospital is a NABH accredited multi-speciality having 500 operational beds ,125 ICU beds and 10 Operational Theatres. The hospital provides various treatments like Cardiac services, Oncology, Pulmonology and Sleep, Neurosciences, Gastro sciences, Dental services Urology, orthopaedic and joint replacement and other specialities such as Dermatology, Diabetics and nutrition, bariatric and weight loss etc. The Hospital provides round the clock expert services with 24/7 emergency services, 24/7 blood bank, ambulance facility and in-house pharmacy and has been operational since 2016.

- **Support from Venkatshwara Hospital, Dwarka:** Set up in 2012, Venkateshwara Hospital Dwarka (VHD) was formed by Mr. Rajpal Solanki to take up the hospital project under VHD. The hospital commenced operations from October' 2016. Venkateshwara Hospital is a set-up 400 bed multispecialty hospital located in Sector18A Dwarka. The Hospital infrastructure comprises of 400 Beds, 125 ICU Beds, 34 Specialties & 10 Modular OT's.



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- **Maintenance of DSRA and Escrow Account:** The rated facility is backed by an escrow arrangement and stipulates maintenance of Debt Service Reserve Account (DSRA) equivalent to 3 month's principal and interest. As per the escrow mechanism, the cash flow of the Venkateshwara hospital, Rohini are to be exclusively routed through escrow account with SBI.
- **Modern infrastructure and equipment's:** The hospital will have state-of-art equipment and facilities available for its patients. Venkateshwara Hospital have the latest infrastructure in place such as Isolated Intensive Care Units (ICU), state of art modular operation theatres (OTs), Heart Command Centre, etc. It offers healthcare services under 20 to 25 specialties covering cardiovascular, orthopaedic, Nephrology, Neurology, ophthalmology, endocrinology and urology among others. The equipment required for the hospitals will be procured from the top companies in the healthcare space like Siemens, Philips, Maquette, Olympus, Stryker etc.

Key Rating Weaknesses

- **Implementation of large size debt funded capex:** Healthcare industry is a capital-intensive industry with long gestation period. Further, the maintenance capex required for the healthcare industry also remains high owing to regular replacement of equipment's to update with the latest technology. The company had started new capex for establishment of Multi-speciality hospital in the new premises of Rohini at a total estimated cost of Rs.500.00 crore. The above capex is to be financed via long term debt of Rs.375.00 crore and remaining via promoter Contribution/internal accruals. In this regard the company had already incurred about ~Rs. 64.60 crore till May 15, 2024, through promoter's fund of Rs.64.60 crore. The construction of the building in Rohini has started from Jan 2024 and is expected to be completed by March 2028. Thereafter the trial run will start, and the hospital will start operation in phases. The size of the project being implemented is large vis-à-vis the net worth position of the Company. The project is expected to be funded at a debt equity ratio of 3:1. The Company had already tied up of term loan for the project. Successful implementation of the project without cost and time-overrun and achievement of break-even shall remain crucial. Further, infusion of equity to support the project funding shall also be a key rating monitorable.



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- **High vulnerability to treatment related risk and operation risk:**

Healthcare is a highly sensitive sector where any mistake on a critical case or negligence on part of any doctor and/or staff of the unit can lead to distrust among the masses. Thus, all the healthcare providers need to monitor each case diligently and meticulously to avoid the occurrence of any unforeseen incident which can damage the reputation of a hospital to a large extent.

- **Highly fragmented nature of the healthcare industry:**

The healthcare sector is highly fragmented with few large players in the organised sector and numerous small players in the unorganised sector leading to high level of competition in the business. Thus, differentiating factors like range of services offered, quality of service, distinction of doctors, success rate in treatment of complex cases, etc. will be crucial to attract.

- **Stringent regulatory framework for the healthcare sector in India:**

Hospitals operate in a regulated industry. In India, hospitals are governed by various laws such as Indian Medical Council Act 1956, The Clinical Establishments (registration and regulation) Act 2010, Indian Medical Council Regulations 2002 etc. Given the importance of healthcare facilities, Government of India has been taking various steps towards increasing the affordability and coverage of healthcare services in the country by putting price restriction on pharmaceutical entities, medical equipment manufacturers and hospitals services.

Analytical Approach: For arriving at the ratings, IVR has analysed JBHL credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Service Sector Companies.](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)
[Parents Group Support](#)
[Criteria for assigning Rating outlook.](#)
[Policy on Default Recognition](#)
[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The Company has an adequate liquidity position. The hospital will start functioning from April 2028 onwards (FY2029). The term loans have already been sanctioned by bank for the



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construction of hospital. Further, once the hospital is having full year of operations, the company is expected to generate sufficient cash flows to meet its debt service requirements.

About the Company

JB Healthcare Private Limited was conceptualized by Mr. Surender Singh in year 2013. JB Healthcare Private Limited begun its operation with providing healthcare facilities across various schools in Delhi NCR. The J B Health Care Pvt Ltd, started its business with the NCR school(s) for providing better health check-up of the school going children's and got the opportunity to serve the standard health check-up facilities to toddlers as well the young and senior students at the school. The main promoters, Mr. Kamal Solanki, Mr. Rishabh Solanki, Mr. Ankur Nagpal, Dr YP Bhatia and Mr Surender Singh already have been associated with Venkateshwara Hospital, Dwaraka (New Delhi). The Key Management personnel have significant experience in managing a 500 bed with 125 ICU Beds hospital (in Dwarka) over the last 7 years.

Financials (Standalone):

For the year ended as on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	21.80	30.84
EBITDA	10.64	15.93
PAT	2.69	4.68
Total Debt	36.61	15.93
Adjusted Tangible Networth	25.25	66.85
EBITDA Margin (%)	48.81%	51.65%
PAT Margin (%)	12.33%	15.12%
Overall Adjusted Gearing Ratio (x)	1.45x	0.24x
Interest Service Coverage Ratio (x)	6.12x	5.79x

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:



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Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based	Long Term	375.00	IVR BBB-/ Stable (IVR Triple B Minus with stable Outlook)	-	-	-
2.	Fund Based	Short Term	6.81	IVR A3 (IVR A Three)			

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About Infomerics:

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.



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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
Term Loan	-	-	Dec 2038	375.00	IVR BBB-/ Stable (IVR Triple B Minus with stable Outlook)
Overdraft	-	-	Revolving	6.13	IVR A3 (IVR A Three)

Annexure 2: Facility wise lender details : <https://www.infomerics.com/admin/prfiles/len-JB-Healthcare-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable



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Annexure 4: List of companies considered for consolidated/combined analysis: Nil

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.