



## Press Release

### JR Super Specialty Hospitals Private Limited

**November 26, 2021**

#### **Ratings**

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	40.00 (Reduced from Rs. 60.00 crore)	IVR BBB-/Positive (IVR Triple B Minus with Positive Outlook)	Rating Reaffirmed and Outlook revised
<b>Total</b>	<b>40.00</b> <b>(INR Forty Crore Only)</b>		

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The reaffirmation of the rating to the bank facility of JR Super Specialty Hospitals Pvt. Ltd. (JRSSHPL) continues to derive comfort from being a part of well-established and diversified Accord group, its experienced & resourceful promoters and adequate tie ups with TPA's and corporates. Nonetheless, the hospital has reported gradual increase in occupancy levels in the past fiscals and other operating parameters thereby translating mainly in revenue and profitability growth. The rating also factors in its moderate capital structure as also the adequate debt protection metrics. These rating strengths are partially offset by increased receivables leading to stretch in operating cycle in FY2021 as also geographical concentration risks along with high competitive intensity in Chennai region especially given the presence of several super speciality and medical college hospitals.

The revision in outlook to positive from stable reflects expected further improvement in the operating metrics and the revenues of the hospital which are likely to be sustained in the near term while overall maintaining the financial metrics. Further, association of renowned doctors like Dr. Rela, is expected to improve the patient turnover, going forward.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Substantial and sustained improvement in the revenue and profitability along with further improvement in the debt protection metrics

##### **Downward Factors**

- Any decline in the revenue and profitability of the company.
- Increase in leverage and deterioration in debt protection metrics



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Part of Chennai based Accord Group provides necessary financial flexibility**

The hospital, Dr. Rela Institute and Medical Centre is managed by JR Super Specialty Hospitals Pvt Ltd which is a part of Accord Group. The Chennai based Accord group, consists of entities like Sri Lakshmi Ammal Educational Trust and Accord Distillers & Brewers Pvt. Ltd. Being a part of an established group provides necessary financial comfort especially during the initial years of operation especially in view of the high operating leverage typically in the hospital segment.

##### **Improvement in occupancy levels thereby revenues and margins in the past fiscals**

JRSSHPL has commenced its operations in FY2019. The average occupancy levels of the hospital across have gradually improved in in the past two fiscals on improvement in referrals and case volumes. While the average occupancy levels remained around 40% in FY2020; it has remained close to 70%% levels in H1FY2022 and is expected to improve further with full scale resumption of hepatic and oncology procedures among others and receding Covid cases. The company in FY2021(P) has increased the revenues to Rs. 212.03 crore as against Rs. 200.87 crore in FY2020 while the EBIDTA margins increased to 14.92 % in FY2021 against 8.71 % in the previous year. The occupancy levels and its synergies with revenue per bed, overall revenue growth and margins will be a key monitorable going forward.

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

The hospital has tie ups with significant number of corporates and TPA's like Air India Limited, Airport Authority of India, Ap Govt Chief Minister Relief Fund and Apollo Tyres Ltd Aditya Birla Health Insurance Co. Limited, Apollo Munich Health Insurance Company Limited, Bajaj Allianz General Insurance Company Limited and Bharti Axa General Insurance Company Limited among others.

##### **Moderate capital structure, adequate debt protection metrics**

The overall adjusted capital structure remained moderate as on March 31, 2021, with the same at 1.30 times as compared to 0.90 times as on March 31, 2020. The company in FY2021 has availed working capital facilities which has primarily increased the gearing despite expansion in the network. The coverage indicators, albeit remained



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adequate with TD/EBIDTA at 1.79 times in FY2021 as compared to 1.25 times in FY2020. Similarly, the ICR remained at 18.10 times in FY2021 as compared to 6.05 times in FY2020. In absence of any material additional debt raising plans in view of expected adequate cash flows to the hospital on stabilisation, the credit metrics are likely to improve going forward.

### **Key Rating Weaknesses**

#### **Increased receivables leading to stretch in operating cycle in FY2021**

The debtor days have increased from 34 days in FY2020 to 58 days in FY2021. This increase has stretched the operating cycle to 40 days as on March 31,2021 as compared to 16 days as on March 31,2020. Optimization of the operating cycle remains critical with respect to the extent of dependence on external borrowings. The working capital utilisation as a % of sanctioned limits has been average around 98% in the 12 month ending September 2021.

#### **Single asset as also geographical concentration risks**

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

#### **Highly competitive intensity especially given the presence of several superspecialty and medical college hospital**

Chennai region remains dotted with several superspecialty hospital 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.

### **Analytical Approach: Standalone**

#### **Applicable Criteria:**

Rating Methodology for Service Sector

Financial Ratios & Interpretation (Non- Financial Sector)

### **Liquidity – Adequate**

The company's liquidity is likely to remain to adequate given the expected cash accruals in the range of Rs. 27.00 crore to Rs. 32.00 crore in the period of FY2022 -24 as against the expected repayments. The free cash balance as on March 31,2021 stood at Rs. 3.06 crore while average working capital utilisation for the 12 months ended September 2021 remained



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at ~98%. Further, no significant debt funded capex or working capital limit availment provides for the liquidity to an extent.

### **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. DRIMC is mentored by Dr. Mohammed Rela who holds a track record of over 4000 successful liver transplantation surgeries. The hospital is renowned for its liver transplantation unit.

JRSSHPL is part of Accord Group which includes companies such as Sri Lakshmi Ammal Educational Trust and Accord Distillers & Brewers Pvt. Ltd., 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):**

<b>For the year ended*/As on</b>	<b>31-03-2019</b>	<b>31-03-2020</b>	<b>31-03-2021**</b>
Total Operating Income	66.78	200.87	212.03
EBITDA	-5.10	17.49	31.63
PAT	-8.00	10.84	10.51
Total Debt	19.29	21.79	56.59
Tangible Net Worth	-4.65	6.18	16.69
EBITDA Margin (%)	-7.63	8.71	14.92
PAT Margin (%)	-11.86	5.33	4.90
Overall Gearing Ratio on adjusted TNW (x)	-4.15	0.90	1.30

\* Classification as per Infomerics' standards.

\*\* Provisional numbers

**Status of non-cooperation with previous CRA: Nil**

**Any other information: NA**



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### Rating History for last three years:

S. No.	Facilities	Current Rating (FY 2021-22)			Rating History for last 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	40.00 (Reduced from Rs. 60.00 crore)	IVR BBB- /Positive	IVR BBB- /Stable (June 12, 2020)	--	--

### Name and Contact Details of the Rating Analyst:

Name: Nilesh Gupta Tel: (022) 62396023 Email: <a href="mailto:nilesh.gupta@infomerics.com">nilesh.gupta@infomerics.com</a>	Name: Shashikant Raut Tel: (022) 62396023 Email: <a href="mailto:shashikant.raut@infomerics.com">shashikant.raut@infomerics.com</a>
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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facilities	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facilities (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility- Cash Credit	-	-	-	40.00	IVR BBB-/Positive

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable.

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/JR-super-specialty-lenders-nov21.pdf>

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

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Facilities	Complexity Indicator
1.	Cash Credit	Simple

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it based on complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).