Rating Rationale

JCB Hospitals

18 May 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.50 Crores of JCB Hospitals.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Term Loans Cash Credit ODBD#	 **6.20** **1.30** **(0.70)**	**Long Term**	**BWR B+** **BWR Single B Plus** **Outlook: Stable**
Total	**7.50**	**INR Seven Crores and Fifty Lakhs Only**	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
ODBD is sub limit of Cash Credit limit

Rating Assigned:
Brickwork Ratings(BWR) assigns the ratings for the long term facilities of JCB Hospitals as BWR B+ (Outlook: Stable)

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financials upto FY17, provisional financial of FY18 and information provided by the Concern's management.

The rating draws strength from the experience of the promoter in the healthcare industry and strong medical infrastructure. The rating is however constrained by weak financial parameters, moderate operating profit margins, ability to attract and retain high quality consultants, geographical concentration risk and regulatory risk. The rating is further constrained due to the constitution of the entity as a proprietorship concern,

Going forward, the ability of the concern to improve and sustain occupancy levels, ability to increase profitability margins would remain key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

- ○ **Experience of the promoter in the healthcare industry -** Proprietrix of the concern, Dr. Sunitha V. Rajathi is having 10 years of experience in managing multi speciality hospital.
- ○ **Strong Medical Infrastructure** - Successive improvements in medical infrastructure have led to increase in inpatient volumes.

- **Credit Risks:**
  - ○ **Weak financial parameters -** The financial risk profile of the concern is weak marked by small scale of operations with revenue of Rs. 5.963 crores in FY17 as compared to Rs. 5.95 crores in FY16 , low net worth of Rs. 5.83 crores in FY17 and low current ratio of 1.18 times in FY17.
  - ○ **Moderate profit margins** - The concern has reported moderate operating profit margins of 25% and net profit margins of 14%. in FY17 as compared to 20% and 12% respectively in FY16.
  - ○ **Ability to attract and retain high quality consultants** - 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 the competitive healthcare industry.
  - ○ **Geographical Concentration risk** - The concern operates only in Dindigul, Tamil Nadu
  - ○ **Highly regulated industry** - The healthcare industry is highly regulated and the changing policies may have a bearing on JCB Hospitals
  - ○ **Constitution of the entity as a proprietorship concern** - JCB Hospitals being a proprietorship concern, is exposed to inherent risk of the proprietor's capital being withdrawn at the time of personal contingency which will affect its capital structure.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **JCB Hospitals** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Concern

JCB Hospital is a Dindigul based hospital established in 2008 as a proprietorship concern. Dr. Sunitha V. Rajathi is the proprietrix of the concern and is having 10 years of experience in managing multi speciality hospital. The hospital provides 11 different speciality services. Some of the departments in the hospital are Urology surgeries, Plastic surgeries, ENT surgeries, Trauma surgeries, replacement surgeries, Endoscopic & Microscopic surgeries, Laparoscopic surgeries etc. The hospital has 75 beds for inpatients with 3 operation theatres and 1 intensive care unit (ICU).

Concern's Financial Performance

The concern registered a net profit (PAT) of Rs. 0.81 crores against a total operating income (TOI) of Rs. 5.93 crores in FY17 compared to PAT of Rs. 0.73 crores against a TOI of Rs. 5.95 crores in FY16. The net worth of the concern stood at Rs. 5.83 crores as on March 31, 2017 compared to Rs. 4.96 crores as on March 31, 2016.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	7.50	**BWR B+ (Outlook: Stable)**	**NIL**	**NIL**	**NIL**
	Total		**7.50**	**₹ Seven Crores and Fifty Lakhs Only**			

Key Financial Indicators

Key Parameters	Units	2017	2016	2015
Result Type		**Audited**	**Audited**	**Audited**
Operating Revenue	₹ Cr	5.93	5.95	4.59
EBITDA	₹ Cr	1.53	1.21	0.86
PAT	₹ Cr	0.81	0.73	0.64
Tangible Net worth	₹ Cr	5.83	4.96	3.88
Total Debt/Tangible Net worth	Times	0.83	0.44	0.26
Current Ratio	Times	1.18	0.50	2.36

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Services Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
R Varadarajan *Chief Manager-Ratings* analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER