



Press Release
DR. NAMJOSHI HOSPITAL PRIVATE LIMITED
May 10, 2022
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	230.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	230.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs.230.00 Cr bank facilities of Dr. Namjoshi Hospital Pvt Ltd (DNHPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating draws comfort from the extensive experience of the management, steady revenue growth and additions to the scale of operations on account of acquisitions. These strengths are partially offset by its moderately aggressive financial risk profile and intense competition in the healthcare industry.

About Company

Established in 1999, Dr. Namjoshi Hospital Pvt Ltd (DNHPL) is a multispecialty hospital in Mumbai. DNHPL has three hospitals located in Mumbai, first in Juhu, second in Andheri East with a capacity of 100 beds each and third one in Kurla with a capacity of 250 beds. All these hospitals operate in the name of Criticare Multispeciality Hospital and provide medical treatments for various specialities ranging from general pathology to cardiology, Gynaecology, orthopaedics, trauma care, etc. The hospital has around 189 visiting doctors and 53 in-house doctors from various specialities. Further, DNJPL has acquired 50% stake in Clublink (India) Pvt Ltd. Clublink (India) Pvt Ltd is a club located in Malad which is being renovated by the company to start a new hospital facility with a capacity of 100 beds. The operations of this facility are expected to start in FY23. The company in Q4FY2022 also acquired Kohinoor hospital in Kurla. This hospital has a capacity of 250 beds and is now operating under the name of Criticare Multispeciality hospital.

About the Group

Established in 1999, Dr. Namjoshi Hospital Pvt Ltd (DNHPL) is a multispecialty hospital founded by Dr. Deepak Namjoshi hospital. The group is promoted by Dr. Deepak Namjoshi and Dr. Masuma Namjoshi. DNHPL also has three group companies Coronary care private Ltd (CCPL), Criticare hospital Pharma (CHP) and Criticare hospital Chemist (CHC). Coronary Care Private limited is a catheterisation lab and Criticare hospital Pharma and Criticare hospital Chemist are pharmacies.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profile of DNHPL and its three group companies Coronary care private Ltd (CCPL), Criticare hospital Pharma(CHP) and Criticare hospital Chemist (CHC). The consolidation is in view of similar line of business and common ownership.

Key Rating Drivers

Strengths

Experienced Management and long track record of operations

DNHPL was founded by Dr. Deepak Namjoshi (Director), who is a Cardiologist and Chest Physician. Dr. Namjoshi has an extensive experience of over 3 decades as a cardiologist and is also actively involved in the day-to-day activities of the hospitals. The company also has around 190 visiting and inhouse doctors with an extensive experience across various specialities. The company also has maintained healthy relations with various public and private sectors corporates like Reserve Bank of India (RBI), Tata Motors, Mahindra and Mahindra, L&T group, etc.

Acuité believes that the long track record of operations will benefit the company going forward.

Improved ARPOB coupled with increasing scale of operations

The company's average revenue per occupied bed (ARPOB) saw a steady improvement from FY2019 through FY2021. ARPOB stood at Rs. 13,323 in FY2021 as against Rs. 12,413 in FY2020 and Rs.12,265 in FY2019. However, the occupancy rate of the beds has remained stable between 88- 90% and average length of stay (ALOS) remained in the range of 4 to 5 days over the last three years. Further, during Covid-19 the company designated the Andheri East hospital completely for Covid treatments and the Juhu hospital was reserved for non-covid treatments. DNJPL recorded a modest Y-o-Y growth of 4.96% in its topline. The revenue stood at Rs.118.36 Cr in FY2021 as against Rs.112.77 Cr in FY2020. Such growth in revenue comes at the back of increased occupancy in the In Patient Department (IPD) because of increased covid patients during FY2021 coupled with stable non-covid hospitalisation in the Juhu facility. The EBITDA margins also saw a growth of 754.56 bps from 18.58% in FY2020 to 26.12% in FY2021.

Further, in FY2021 DNJPL has acquired 50% stake in Clublink (India) Pvt Ltd. Clublink (India) Pvt Ltd is a club located in Malad which is being renovated by the company to start a new hospital facility with a capacity of 100 beds. The operations of this facility are expected to start in FY23. The company in Q4FY2022 also acquired Kohinoor hospital in Kurla. This hospital has a capacity of 250 beds and is now operating under the name of Criticare Multispeciality hospital.

Acuite expects the company to register a strong revenue growth on account of the addition to the hospital facilities.

Weaknesses

Moderately aggressive financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, high gearing and a comfortable debt protection metrics. Tangible Networth of the company stood moderate at Rs.31.12 Cr in FY2021 as against Rs.21.77 Cr in FY2020. Total Debt of the company stood at Rs.119.53 Cr in FY2021 as against Rs.111.21 Cr in FY2020. Gearing (Debt/Equity) of the company remained high at 3.89 times in FY2021 as against 5.16 times in FY2020 whereas Total Outside Liabilities to Tangible Net worth (TOL/TNW) remained at 4.95 times in FY 2021 as against 6.48 times in FY 2020. Gearing of the company is expected to remain high at 5.01 times in FY2022 whereas TOL/TNW to remain at 5.81 times due to additional debt taken for the acquisition of Kohinoor hospital and is expected to moderate at 2.33 times and 3.15 times respectively in FY2024. Debt protection metrics remain comfortable with Debt Service Coverage ratio (DSCR) at 1.79 times in FY2021 as against 1.44 times in FY2020 and Interest Coverage ratio (ICR) at 2.24 times in FY2021 as against 1.86 times in FY2020

Acuite expects the financial risk profile of the company to be moderate on account of debt funded capex in the near term.

Highly fragmented and competitive industry

The company operates in a highly competitive and highly regulated healthcare industry. The company faces intense competition on account of the rising pool of qualified healthcare professionals supported by increased investment by the government in the healthcare infrastructure.

Rating Sensitivities

Lower than expected operating performance
Significant improvement in profitability margins

Material Covenants

None

Liquidity: Adequate

The liquidity position of the company is adequate marked by sufficient net cash accruals of Rs.14.95 Cr in FY2021 as against maturing debt obligations of Rs.3 Cr during the same period. Despite the incremental debt of Rs. 101 Cr in FY2022 the company is expected to generate sufficient net cash accruals of Rs.23.26-41.36Cr as against Debt obligation of Rs.8.29-11.77Cr. The company maintains an unencumbered cash balance of Rs.16.53Cr in FY2021 as against Rs.4.07Cr. in FY2020.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of average cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes that the outlook of the DNHPL will remain 'Stable' over the medium term on account of experienced management and improving scale of operations. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues while improving Acuite Ratings & Research Limited www.acuite.in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration of its financial risk profile and liquidity

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	118.36	112.77
PAT	Rs. Cr.	9.94	4.58
PAT Margin	(%)	8.39	4.06
Total Debt/Tangible Net Worth	Times	3.89	5.16
PBDIT/Interest	Times	2.24	1.86

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	45.17	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	86.83	ACUITE BBB- Stable Assigned
Bharat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	98.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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