Press Release

Pushpagiri Medical Society (PMS)

June 17, 2024

Ratings

Instruments / Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Dropline OD	0.00 (previously 25.44)	-	Withdrawn	Simple
Long Term Fund Based Facility – Term Loan	41.95 (reduced from 51.93)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Facility – Term Loan (Proposed)	17.05 (increased from 13.63)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed/ Assigned	Simple
Long Term Fund Based Facility – GECL	25.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Non-Fund Based Facility – BG	5.00 (increased from 3.50)	IVR A3 (IVR A Three)	Reaffirmed/ Assigned	Simple
Short Term Non-Fund Based Facility – BG (Proposed)	1.00 (reduced from 2.50)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Long Term/ Short Term Fund Based Facility – OD	60.00 (increased from 28.00)	IVR BBB-/ Stable/ IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three)	Reaffirmed/ Assigned	Simple
Total	**150.00 (Rupees One Hundred and Fifty Crore)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating assigned to Pushpagiri Medical Society (PMS) factors in stable financial and operating performance of the society. Further, the rating continues to derive comfort from experienced board of management, satisfactory infrastructure with association of experienced faculties and reputed doctors, satisfactory enrolment rates in educational institutes and diverse revenue profile, improving financial performance and improvement in profitability and positive demand outlook for education in India marked by significant demand for higher education.

The ratings, however, are constrained by moderate financial risk profile, susceptibility to regulatory risks and reputational risk, capital intensive nature of operation and intense competition in education sector.

The rating for Rs.25.44 crore dropline OD has been withdrawn based on the client request and receiving of 'No Due Certificate' from the banker. The rating is withdrawn in line with 'Infomerics' policy on withdrawal.

Key Rating Sensitivities:

- **Upward Factors**
- Improvement in enrolment ratio and bed occupancy ratio coupled with increase in no. of seat intake for various courses leading to improvement in the operating income and profitability on a sustained basis.
- Improvement in the capital structure with reduction in debt level and/or improvement in debt protection metrics.
- **Downward Factors**
- Decline in the intake of students and/or negative change in government regulations leading to moderation in the operating income and/or dip in profitability impacting the liquidity.

- Deterioration in debt protection metrics with decline in interest coverage ratio on a sustained basis.
- Any unplanned capex impacting the overall financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced board of management

Pushpagiri Hospital was started in 1959, in Thiruvalla (Kerala) and Pushpagiri Medical Society (PMS) was formed on 29th April 1992 by taking over the operations of Pushpagiri Hospital. It currently operates a 900-bed multi-disciplinary hospital along with established medical education institutions. Rev. Fr.Dr.Biju Varghese is the current CEO. He is supported by the other members and a team of qualified and experienced professionals in managing the day-to-day affairs of the society.

Satisfactory infrastructure with association of experienced faculties and reputed doctors

PMS has the privilege of having a number of experienced faculty members, which is essential in building a strong brand name and attracting quality students. Further, the institute has modern infrastructure including furnished hostels for boys and girls, transport & canteen facilities and latest tools & technologies. The hospital has qualified and reputed doctors, research laboratories and well-trained staffs. Over the years, the society has established its brand, as a provider of medical education and medical services, backed by strong infrastructural facilities.

Improving financial performance and improvement in profitability

The total operating income of the society has increased to Rs. 259.33 Crore in FY24 (P) (refers to period April 1st 2023 to Mar 31st 2024) (FY23: Rs. 241.58 Cr, FY22: Rs. 215.58 Cr). EBITDA margin has been maintained in the range of 17-18% for the past 3 years. However, the PAT margin has improved to 3.86% in FY24 (P). (FY23: 3.24%, FY 22: 1.50%). Gross cash accrual has also improved to Rs. 33.78 Cr in FY24 (P) (FY23: Rs. 29.20 Cr, FY22: Rs. 24.54 Cr).

Satisfactory enrolment rates in educational institutes and diverse revenue profile

Enrolment rate depends upon available infrastructural facilities, composition of experienced faculties and brand image of the institution. As per management, PMS has maintained a 100% enrolment rate over the past 3-5 years in MBBS course. Enrolment ratio stands satisfactory in other courses as well. The hospital operated by the society has a moderate occupancy rate and offers wide range of services. The society has a diverse revenue profile with hospital operations and running medical, nursing, dental and pharmacy colleges.

Positive demand outlook for education in India marked by significant demand for higher education

The long-term demand outlook of the education industry remains favourable on the back of a significant demand-supply gap in the higher education space augurs well for the group. Further, demand for higher education is likely to improve in India on the back of rising awareness, increasing population and better affordability.

Key Rating Constraints

Moderate financial risk profile

Due to the improvement in the operating surplus, the accumulated losses of the society have reduced from Rs.14.13 Cr in FY 23 to Rs.4.05 Cr in FY 24 (P). The society’s gearing ratio has improved from 4.38 times as on 31 March 2023 to 2.92 times as on 31 March 2024 due to the improved networth. However, the operations of the society have been supported YoY by loans from the bishop houses and other related parties. Rs. 15.00 Cr of subordinated unsecured loan has been treated as quasi equity.

Susceptibility to regulatory risks:

The education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Any regulatory changes that impact the flexibility of the society to fix fees for the management quota seats may adversely impact the revenue profile and cash accruals.

Capital intensive nature of operation:

Education and healthcare sector needs regular investment in the workforce and infrastructure to upgrade its facilities and to conduct the operations efficiently. Going ahead, the ability to distinguish among competition from other private colleges/universities and increasing the student base, any higher than anticipated capex and its funding pattern shall be the key rating sensitivities.

Intense competition in education sector:

The society faces intense competition from both upcoming and established public and private players in the education sector, high level of regulation by the government (central and state) in the education sector and continuous need for capex for investment in infrastructure facilities. This puts pressure on attracting / retaining talented students and faculty.

Reputational risk:

All the healthcare providers need to monitor each case diligently and maintain high operating standards to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital & institute to a large extent.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Service Sector Companies
- Financial Ratios & Interpretation (Non-Financial Sector)
- Criteria of assigning Rating Outlook
- Policy on Default Recognition
- Complexity Level of Rated Instruments/Facilities
- Policy on Withdrawal of Ratings | Infomerics Ratings

Liquidity: Adequate

The liquidity position is marked adequate by sufficient gross cash accruals of Rs.33.78 Cr. in

FY24 (P). Further, the society has maintained a cash balance of Rs.3.57 Cr. The average utilisation of working capital limit remained moderate at ~88% during the past 12 months ended Mar 2024. Operating cycle stays comfortable at 16 days in FY24 (P). However, the current ratio of the society continues to be below unity as of 31 Mar 2024 (P).

About the Society

Pushpagiri Hospital was started in 1959, in Thiruvalla (Kerala) and currently operates a 900-bed multi-disciplinary hospital along with established medical education institutions. PMS was formed on 29th April 1992 by taking over the operations of Pushpagiri Hospital.

The Pushpagiri Medical Society (PMS) was registered as a Charitable Society in the year 1992 under the Travancore Cochin Literary Scientific & Charitable Societies Registration Act of 1955. In 2002, PMS entered into the arena of higher education in the medical and allied fields by starting as the first private medical college in Kerala with the name Pushpagiri Institute of Medical Sciences & Research Centre. Subsequently, Pushpagiri went further along to establish premier institutions in the field of health care for higher education for Nursing (2002), Pharmacy (2004), Dental Science (2006) and Allied Health Science (2008). The orbit of its activities was widened by the establishment of Pushpagiri Research Centre and Pushpagiri Centre for Virology and the centre is recognized as the only Research Centre under the Kerala University for Health and Allied Sciences.

Financials (Standalone):

INR in Crores

For the year ended* / As on	**31-03-2022**	**31-03-2023**
	Audited	**Audited**
Total Operating Income	215.58	241.58
EBITDA	37.02	41.66
PAT	3.28	7.90
Total Debt	133.45	126.62
Tangible Net worth	20.66**	28.88**
EBIDTA Margin (%)	17.17	17.25
PAT Margin (%)	1.50	3.24

Overall Gearing ratio (X)	6.46***	4.38***

**Classification as per Infomerics' standards*
*** including subordinated unsecured loan of Rs 15 Cr which is treated as Quasi Equity*
****based on adjusted tangible net worth*

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding /Proposed (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (PR dated Apr 18, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Dropline OD	Long Term	0.00	Withdrawn	IVR BBB-/ Stable	-	-
2.	Term Loan	Long Term	41.95	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
3.	Term Loan (Proposed)	Long Term	17.05	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
4.	GECL	Long Term	25.00	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
5.	BG	Short Term	5.00	IVR A3	IVR A3	-	-
6.	BG (Proposed)	Short Term	1.00	IVR A3	IVR A3	-	-
7.	OD	Long Term/ Short Term	60.00	IVR BBB-/ Stable/ IVR A3	IVR BBB-/ Stable/ IVR A3	-	-

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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.

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.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Upto March 2036	41.95	IVR BBB-/ Stable
Term Loan (Proposed)	-	-	-	17.05	IVR BBB-/ Stable
GECL	-	-	2028	25.00	IVR BBB-/ Stable
BG	-	-	-	5.00	IVR A3
BG (Proposed)	-	-	-	1.00	IVR A3
OD	-	-	-	60.00	IVR BBB-/ Stable/ IVR A3

Annexure 2: List of companies considered for consolidated analysis: NA

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-Pushpagiri-june24.pdf

Annexure 4: Detailed explanation of covenants of the rated 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.