Rating

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Rating 1</th>
<th>Rating Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Bank Facilities</td>
<td>7.94 (reduced from Rs. 11.78 crore)</td>
<td>CARE A+; Stable (Single A Plus; Outlook: Stable)</td>
<td>Revised from CARE A (Single A)</td>
</tr>
<tr>
<td>Short term Bank Facilities</td>
<td>5.00</td>
<td>CARE A1 (A One)</td>
<td>Reaffirmed</td>
</tr>
<tr>
<td>Total</td>
<td>12.94 (Rupees Twelve Crore and Ninety Four Lakhs only)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Details of facilities in Annexure-1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Pulikkal Medical Foundation (PMF) take into account the consistent scaling up of operations and high occupancy rates of the Medical Trust Hospital (MTH) - a hospital operating under PMF and commencement of operations at a new 100 bed hospital at Kuzhuppilly, Kerala, thereby moderately reducing the dependence on a single hospital. The ratings also take into account the established track record of operations, experienced promoters and experienced team of doctors in the hospital, comfortable capital structure and debt coverage indicators.

The ratings are, however, constrained by the geographically concentrated nature of PMF’s operations, dependence on scarcely available medical professionals and growing competition in the Industry.

Going forward, ability of the company to maintain high level of occupancies at its existing facilities, widen its geographical reach and maintain capital structure & profitability would be key rating sensitivities.

Detailed description of the key rating drivers

Consistent scaling up of operations the Medical Trust Hospital (MTH) and commencement of the operations at a hospital at Kuzhuppilly

The operating income of PMF has registered a compounded annual growth rate (CAGR) of approximately 8% during the period from FY13 to FY16, backed by healthy operational performance. Revenue from healthcare services accounted for about 62% of the total revenue in FY16. The revenue from pharmacy sales also contributes a 33% of the total income in FY16. The occupancy rate of beds during FY16 was stable at 89% for Kochi Hospital. The Hospital continues to generate good patronage from the population of Kochi.

PMF has taken on lease a hospital (named St. Vincent De Paul Hospital) at Kuzhuppilly which is 25 km from existing hospital. The Hospital has started functioning from March 2016 with 100 beds with both inpatients and out-patient facilities and 14 doctors. The Hospital has begun to attract moderate patronage from the surroundings and has reported revenue of Rs. 2.27 crore in H1FY17.

Experienced promoters

The operations of PMF are managed by the Managing Director, Mr. P V Anthony, (son of Founder Director, (Late) Dr. P A Verghese). He is a post graduate in hospital administration and has over two decades of experience in managing the hospital. He is supported by his brother Dr. P V Louis, who is the Medical Director of the hospital having over two decades of experience. The management team involves Dr. P V Thomas, who is the Commercial Director at the hospital and Mr. P V Xavier, who is the Finance Director of the hospital both having experience of over one decade.

2Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications
**Experienced team of Doctors**

MTH is a multi-specialty hospital equipped with advanced facilities for cardiology, urology, neurology, orthopedics and trauma, ophthalmology, pathology etc. As of September 2016, the hospital had 75 doctors supported by 40 junior medical officers, 97 DNB (diploma from national board) trainees and 1496 support staff which include nurses, paramedical technicians and other support staff.

**Single location regional player and growing competition in the industry**

Despite being in operation for around four decades and enjoying continued patronage from the local population, MTH is a single location hospital. The single location restricts catchment area to this geographical region requiring patients to travel long distances to access tertiary care. The Firm had opened an additional hospital at Kuzhuppilly which is 25 km from existing hospital. This has helped the firm to start diversifying its scope of operations.

**Comfortable capital structure and debt coverage indicators**

The financial risk profile of PMF continues to be comfortable with healthy accruals, low gearing and comfortable debt service coverage indicators. The debt equity ratio and overall gearing of PMF were low at 0.03 and 0.04 respectively as on March 31, 2016. The gearing ratio has improved from 0.08 as on March 31, 2015 to 0.04 on March 31, 2016. The coverage indicators were comfortable with interest coverage at 26.02 times in FY16 and total debt to gross cash accruals at 0.20 years as on March 31, 2016.

**Analytical Approach — Standalone**

**Applicable Criteria**

- CARE’s Policy on Default Recognition
- CARE’s Criteria on assigning Outlook to Credit Ratings
- Financial ratios – Non-Financial Sector

**About the Company**

PMF is a Kochi based company registered under section 25 of companies act. It is engaged in providing healthcare services and related education and training. PMF runs a 750-bed hospital in the name of MTH and an Education & Research institute in the name of Medical Trust Institute of Medical Science (MTIMS).

PMF was initially established as a partnership firm during 1972 in the name of Pulikkal Corporation (PC) by its founder director Late Dr. P. A. Verghese. PC later established MTH in 1973. Subsequently during 1976, PC was converted into a private limited company and renamed as Pulikkal Medical Foundation Private Limited. Later during 1988, the company got registered under section 25 of the Companies Act with the objective to run the company for charitable purpose and renamed as PMF.

Over the years, MTH has grown from a small primary care hospital to a multi-specialty tertiary care referral hospital with a bed capacity of 750 beds as of March 31, 2016. The hospital is also active in the field of education training and research through MTIMS. MTH is accredited by National Board of Examination in 16 specialties for Diploma in National Board (DNB). The hospital also runs courses like M.Sc. Nursing, B.Sc. Nursing, Post B.Sc. Nursing, and Diploma in radiology, Diploma in ophthalmic assistance etc. In FY16 PMF has started a 100 bed hospital at Kuzhuppilly in Kerala.

The total operating income and PAT of the company stood at Rs. 171 crore and Rs. 19 crore in FY16 compared to a total operating income of Rs. 163 crore and a PAT of Rs. 14 crore in FY15.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.
Press Release

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**For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Facilities

<table>
<thead>
<tr>
<th>Name of the Instrument</th>
<th>Date of Issuance</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Size of the Issue (Rs. crore)</th>
<th>Rating assigned along with Rating Outlook</th>
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</thead>
<tbody>
<tr>
<td>Fund Based - LT-Term Loan</td>
<td>-</td>
<td>-</td>
<td>June 2019</td>
<td>5.44</td>
<td>CARE A+; Stable</td>
</tr>
<tr>
<td>Fund Based - LT-Cash Credit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.50</td>
<td>CARE A+; Stable</td>
</tr>
<tr>
<td>Non-Fund Based - ST-BG/LC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.00</td>
<td>CARE A1</td>
</tr>
</tbody>
</table>

Annexure-2: Rating History (Last three years)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Instrument/Bank Facilities</th>
<th>Current Ratings</th>
<th>Rating history</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Type</td>
<td>Amount Outstanding (Rs. crore)</td>
<td>Date(s) &amp; Rating(s) assigned in 2016-2017</td>
</tr>
<tr>
<td>1.</td>
<td>LT</td>
<td>5.44</td>
<td>CARE A+; Stable (24-Dec-15)</td>
</tr>
<tr>
<td>2.</td>
<td>LT</td>
<td>2.50</td>
<td>CARE A+; Stable (24-Dec-15)</td>
</tr>
<tr>
<td>3.</td>
<td>ST</td>
<td>5.00</td>
<td>CARE A1</td>
</tr>
</tbody>
</table>
Press Release

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