

Malabar Institute Of Medical Sciences Ltd

November 01, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	296.84 (Enhanced from 141.32)	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Malabar Institute Of Medical Sciences Ltd (MIMS) continues to derive strength from the vast experience of its promoter, viz, the Aster group in the medical field, both in India and in the Gulf region. The rating also derives strength from well-established track record of hospitals in the north Kerala region and presence of well-qualified doctors and advanced medical equipment, comfortable capital structure, and consistent growth in the scale of operations with comfortable profitability margins. However, the rating is constrained by the dependence of qualified medical professionals and geographical concentration of revenues in northern Kerala. The rating also takes note of the large debt-funded green-field project planned for construction of a new multispecialty hospital at Kasaragod, Kerala.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the hospital to improve the scale of operations above ₹1,000 crore with occupancy of above 80% in all the hospitals.
- Improvement in profitability with profit before interest, lease rentals, depreciation and taxation (PBILDT) margins of above 18% on a consistent basis.
- Successful completion of hospital project in Kasaragod without any cost overrun and achieve occupancy of 80% in the new hospital.

Negative factors

- Any significant delay or cost overrun in the completion of the ongoing greenfield capex in Kasaragod.
- Any large debt-funded capex leading to moderation in overall gearing to above 0.5x.

Analytical approach:

Standalone

Outlook: Stable

The stable outlook reflects the hospital's ability to sustain its operational performance by way of continuous expansion of hospital capacities, extensive experience of the promoters, and benefits derived from being a part of the Aster group.

Detailed description of the key rating drivers:

Key strengths

Vast experience of the promoter group in the medical field

MIMS was formed by a team of medical professionals headed by Dr Azad Moopen in 1995. Dr Azad Moopen, the Founder chairman of MIMS, has more than two decades of experience in this field. The holding company of MIMS, Aster DM Healthcare Limited (AHPL), is one of the largest medical service providers in the Middle East as well as in India and holds 78.37% (PY: 74.14%) stake in MIMS as on July 06, 2023. AHPL has 76 subsidiaries, step-down subsidiaries and joint ventures (JV) through which the Aster group operates in the Gulf Cooperation Council (GCC) region and India.

Well-established brand of MIMS in the Kerala region with long operational track record

The first hospital of MIMS was established in Calicut in 2001 as a tertiary-care multi-specialty hospital catering to patients in Calicut and surrounding regions. The 683-bed National Accreditation Board for Hospitals & Healthcare Providers (NABH)-accredited hospital at Calicut has about 40 specialties. Meanwhile, the NABH-accredited hospital at Kottakkal, started in 2009, functions as a tertiary level super-specialty hospital with 340 beds. The hospital at Kannur (established in 2019) operates with 302-bed capacity and also offers all the specialties offered by the other two hospitals. The new hospital at Areekode was established in May 2022 with 125-bed capacity, which offers mother and childcare services.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Presence of well-qualified doctors and advanced medical equipment for specialised treatments

The hospitals run by MIMS are equipped with advanced facilities for cardiology, urology, neurology, orthopaedics, radiology, and gastroenterology, and have state-of-the-art equipment like CAT scans, PET scan equipment and other advanced equipment. All the hospitals are run by a well-qualified, dedicated and experienced team of doctors. As on June 30, 2023, there are total of 724 doctors who are on roll of MIMS, with all its hospitals being NABH-accredited.

Comfortable capital structure and improved debt coverage metrics

The capital structure of the company continued to remain comfortable with overall gearing at 0.29x as on March 31, 2023 (PY: 0.31x). The debt coverage metrics also stood comfortable with total debt/ gross cash accruals (TDGCA) of 1.44x as on March 31, 2023 (PY: 1.51x). The interest coverage remained comfortable at 8.25x in FY23 as against 8.06x in FY22. The company is undergoing for a green-field project towards addition of 201-bed hospital at Kasaragod, at the cost of ₹143.0 crore funded by term loan of ₹100.0 crore and the rest by accruals. CARE Ratings expects the capital structure to remain comfortable with healthy accruals.

Consistent growth in income with comfortable occupancy levels

The company's total operating income (TOI) improved in FY23 to ₹899.43 crore from ₹772.84 crore in FY22 at growth rate of 16%. Increase in TOI is primarily attributed to the increase in average revenue per occupied bed (ARPOB) and additional income generated from the newly commenced hospital in Areekode. The PBILDT margin stood comfortable at 16.25% in FY23 albeit decreased from 17.40% in FY22 due to increase in fixed overhead costs. The overall occupancy levels across all the hospitals stood comfortable at 74% in FY23 as against 75% in FY22.

Key weaknesses**Dependence on scarcely available qualified medical professionals**

The presence of qualified medical professionals, such as doctors, paramedical staff and support staff is one of the important requisites for a hospital to be successful and to get continued patronage from the local population. MIMS is highly dependent on these scarcely available qualified medical professionals. CARE Ratings notes that given the increasing competition and the scarcity of medical specialists, the ability of the hospital to retain its current pool would be important.

Geographical concentration of revenues and competition

Despite being in operation for over two decades with four hospitals and enjoying continued patronage from the people, the entire operations of MIMS are confined to the northern region of Kerala. The hospital receives patients mostly from the Malabar and Coimbatore regions domestically, and has around 5% of international patients as well, mainly from the Arab nations. The hospitals present in Calicut, Kannur and Kottakkal face intense competition from the other hospitals in their regions.

Liquidity: Strong

The liquidity is strong marked by sufficient cushion in accruals of ₹126.15 crore against repayment obligations of ₹36.67 crore in FY24. MIMS had negative operating cycle of 20 days in FY23. The company primarily operates cash and carry model and it has average collection period of 18 days (PY:18 days) which also includes insurance case receivables which accounts for around 9% of the total income. The hospital has an average inventory period of 13 days (PY: 13 days) in FY22. The company normally maintains a credit period of about 45-60 days with its suppliers for equipment and medicines. The current ratio stood at 0.61x as on March 31, 2023 (PY: 0.56x). The company had been sanctioned working capital limits of ₹44.0 crore and the average utilisation of the same stood at 54.89% for past 12 months ended September 2023. MIMS also had free cash balance of ₹22.50 crore as on March 31, 2023.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Hospital](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Healthcare services	Hospital

MIMS, part of the Aster group, is a company incorporated in 1995 for providing advanced healthcare services in the Malabar region in Kerala. AHPL, the flagship company of the Aster group is the major shareholder, holding 78.37% of stake in MIMS as on July 06, 2023. AHPL was started by Dr Azad Moopen in 1987 and operates hospitals, clinics and pharmacies in the GCC region and India. The first MIMS hospital was started in February 2001 by a group of doctors under the leadership of Dr Azad Moopen, a Padma Shri awardee by the Government of India. MIMS currently operates four hospitals in Calicut, Kottakal, Areekode and Kannur districts of Kerala.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	772.84	899.43	231.50
PBILD	134.45	146.14	35.86
PAT	68.29	70.36	15.92
Overall gearing (times)	0.31	0.29	0.28
Interest coverage (times)	8.06	8.25	10.33

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	44.00	CARE A; Stable
Fund-based - LT-Term loan		-	-	December 2034	252.84	CARE A; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term loan	LT	252.84	CARE A; Stable	-	1)CARE A; Stable (04-Nov-22)	1)CARE A-; Positive (29-Sep-21)	1)CARE A-; Stable (02-Sep-20)
2	Fund-based - LT-Cash credit	LT	44.00	CARE A; Stable	-	1)CARE A; Stable (04-Nov-22)	1)CARE A-; Positive (29-Sep-21)	1)CARE A-; Stable (02-Sep-20)

*Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact Us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Pradeep Kumar V Senior Director CARE Ratings Limited Phone: +91-044-28490876 E-mail: pradeep.kumar@careedge.in</p>	<p>Analytical Contacts</p> <p>Sandeep P Director CARE Ratings Limited Phone: +91-044-28497812 E-mail: sandeep.prem@careedge.in</p> <p>Naveen S Assistant Director CARE Ratings Limited Phone: +91- 0422 - 4502399 E-mail: naveen.kumar@careedge.in</p> <p>Ragavilashini Muralikrishnan Analyst CARE Ratings Limited E-mail: Ragavilashini.M@careedge.in</p>
---	--

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**