

## K J Somaiya Medical Trust

January 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	3.50 (Reduced from 9.13)	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of K J Somaiya Medical Trust (KJSMT) continues to derive strength from the long track record and established operations of the trust, strong brand image of Somaiya Hospital and its medical colleges in Mumbai and adjoining areas, stable operations of its medical college with almost full enrolment levels year-on-year, strong infrastructure facilities, above average profitability margins, comfortable capital structure and debt coverage indicators. The above rating strengths, however continue to be tempered by modest albeit growing scale of operations, along with concentrated revenue as well as highly regulated framework for educational sector in India.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Total operating income to exceed Rs. 200 crore on account of increase in medical college seats as well as higher contribution from hospital.
- Ability to maintain 100% students' enrolment ratio in all institutes on a sustained basis.
- Improvement in surplus margins beyond 19% on a sustained basis.

#### Negative factors

- Significant decline in revenue or cash accruals owing to failure on part of the trust to ensure satisfactory enrolment ratio.
- Decline in SBILD margins to below 8%.
- Stretch in collection leading to liquidity issues.
- Debt funded capex undertaken by trust leading to deterioration in the financial risk profile of the trust.

**Analytical approach:** Standalone

### Outlook: Positive

The outlook revision reflects an expectation of improvement in KJSMT's business risk profile over the medium term. The Trust's enrolment levels, and operating profit margin is expected to remain healthy over the medium term. The outlook may be revised to 'Stable' if the Trust is unable to sustain the healthy margins or achieve cash accruals as envisaged.

### Detailed description of the key rating drivers

#### Key strengths

##### Long track record and established operations managed by experienced management of KJSM

KJSMT was established in 1991 by Late Shri Karamshibhai Jethabhai Somaiya and other prominent founder members of the trust in Mumbai, and managing committee is headed by Shri Samir S. Somaiya. The trust has been operating four medical institutes as well as a 550 bed general hospital and 115 bed super specialty hospital in Sion. It has been operating over 28 years and has started medical institutes in segments such as Physiotherapy, Nursing etc. The trust currently manages around four institutes with a student base of around 1, 0. The trust is currently managed by experienced six trustees. The heads of all institutions are well experienced in their respective fields.

##### Steady and full strength in educational institutions

K J Somaiya Medical Hospital and Research Centre, the flagship institute of the trust, has around 105 qualified experienced teaching faculty and around 104 resident doctors, working in 21 well equipped departments. It has been able to maintain the enrolment level at 100% for its MBBS program over the past five years. Medical college has completed 30 years of operations offering both UG and PG programs. During 1994, KJSMT commenced KJ Somaiya School of nursing offering Diploma program in General Nursing & Midwifery. The institute has strength of 40. Physiotherapy College has student strength of 100. The total student strength of KJSMT has been around 1,200 during FY23.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Above average profitability margins

The Trust has reported revenue of Rs. 171.91 crore in FY23 with reporting profits at operating and net level wherein the SBILDT margin stood at 11.33% and SAT margin stood at 6.72% in FY23 vis-à-vis SBILDT margin of 16.83% and SAT margin of 10.96% reported in FY22. The subdued operating margins are on account of increased overheads pertaining to medical relief and educational objects of the Trust and other miscellaneous expenses. Nevertheless, the margins remained above average in FY23.

### Comfortable capital structure and debt coverage indicators

The capital structure of the trust marked by overall gearing ratio remained comfortable and stood at 0.14x as on March 31, 2023 vis-à-vis 0.45x as on March 31, 2022. Marginal improvement in the same is seen owing to lower debt level given the repayment of the same and increase in tangible net worth base from Rs. 52.97 crore as on March 31, 2022 to Rs. 66.45 crore as on March 31, 2023.

The debt profile of the trust as on March 31, 2022 consists of term loan from Kotak Mahindra Bank, utilized for construction of super specialty hospital and for medical college building along with availment of COVID-19 support loan.

Debt protection metrics marked by total debt to GCA remained comfortable at 0.49x as on Mar 31, 2023 vis-à-vis 1.01x as on March 31, 2022. Interest coverage ratio also remained comfortable at 16.35x in FY23 vis-à-vis 13.63x in FY22 owing to lower interest cost.

### Key weaknesses

#### Modest albeit growing scale of operations

The trust has been reporting total operating income of above Rs. 100 crore since past four years ending March 31, 2023. The reason being limited seats in medical institutes, capped fee and lower charges for the facilities due to non-profit motive of the trust. The trust earns its income from four colleges and through clinical service charges from its general and super specialty hospitals. The highest contribution to revenue comes from clinical charges as there are limited seats in its institutes which contribute lower to the revenue.

KJSMT colleges being affiliated to Mumbai University of Health Sciences cannot charge higher fees. However, with increase in clinical charges from both general hospital and super specialty along with increase in number of seats (number of seats increased from 50 to 100 in K J Somaiya Medical College as well as in K J Somaiya College of Physiotherapy), total operating income has increased from Rs. 145.42 crore in FY22 to Rs. 171.91 crore in FY23, reflecting growth of 18.22% y-o-y.

#### Highly regulated education industry with regard to approvals and accreditations

Higher education sector is one of the highly regulated sectors with both state and central government regulating the industry directly and/or indirectly through various bodies including UGC (University Grants Commission), AICTE (All India Council for Technical Education) etc. The scope of government regulation is wide, starting from establishment of course/institute, seat sharing, fee fixation and periodical review of the standards followed by the institute. Further, the medical institutes are required to get approval from Medical Council of India and any resultant adverse findings may impact the operations of the trust.

#### Liquidity: Stretched

KJSMT has adequate liquidity with cash and cash equivalents of Rs. 6.16 crore as on March 31, 2023. The trust is expected to generate cash accruals in the range of Rs. 22.00 crore to Rs. 26.00 crore during FY24 and FY25 and against the same the principal repayment obligation is around Rs. 8.00 crore in FY24 and minimal in FY25. Besides, the trust also receives donation from the Somaiya group which provides an additional income and also support the cash flows and liquidity.

### Applicable criteria

[Policy on default recognition](#)

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

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial ratios - Non-Financial Sector](#)

[Rating Methodology – Education Sector](#)

[Rating Methodology – Hospital Industry](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

K J Somaiya Medical Trust (KSMT) is a charitable trust established in the year 1991 by Late Shri K J Somaiya. The trust is registered under Bombay Public Trusts Act. The trust commenced its activities by establishing K J Somaiya Medical College, Hospital and Research Centre in Sion. The campus is a 22.50 acre campus and has three more colleges i.e. K J Somaiya College of Nursing, K J Somaiya School of Nursing, K J Somaiya College of Physiotherapy. The trust also has 2 hospitals 550 bed general hospital viz. K J Somaiya Hospital and Research Centre and 115 bed Super specialty hospital viz. K J Somaiya Super Specialty Hospital. The total student strength of all the colleges is more than 1,200.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (Prov.)
Total operating income	145.42	171.91	100.00
PBILDIT	24.47	19.47	NA
PAT	15.94	11.56	NA
Overall gearing (times)	0.45	0.14	NA
Interest coverage (times)	13.63	16.35	NA

A: Audited; Prov.: Provisional; NA: Not Available; Note: 'the above results are latest financial results available'.

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

**Any other information:** Not Applicable

**Disclosure of Interest of Independent/Non-Executive Directors of CARE:** Not applicable

**Disclosure of Interest of Managing Director & CEO:** Not applicable

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

**Covenants of the rated instruments/facilities:** Not Applicable

**Complexity level of the 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-Term Loan	-	-	-	November 2027	3.50	CARE BBB+; Positive

#### 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	3.50	CARE BBB+; Positive	-	1)CARE BBB+; Stable (22-Dec-22) 2)CARE BBB+; Stable (04-Apr-22)	-	1)CARE BBB+; Stable (23-Feb-21)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the 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-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](mailto:care@careedge.in) for any clarifications.

#### Contact us

Media Contact	Analytical Contacts
<p>Name: Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Name: Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a></p>	<p>Name: Sudarshan Shreenivas Director <b>CARE Ratings Limited</b> Phone: 022- 6754 3566 E-mail: <a href="mailto:sudarshan.shreenivas@careedge.in">sudarshan.shreenivas@careedge.in</a></p> <p>Name: Arunava Paul Associate Director <b>CARE Ratings Limited</b> Phone: 022-67543667 E-mail: <a href="mailto:arunava.paul@careedge.in">arunava.paul@careedge.in</a></p> <p>Name: Pranjali Hatode Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:pranjali.hatode@careedge.in">pranjali.hatode@careedge.in</a></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](http://www.careedge.in)**