

S. R. Trust

November 15, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	138.75 (Enhanced from 102.08)	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of S. R. Trust continues to derive strength from the vast experience of its founders in the healthcare industry, established presence of Madurai Meenakshi Mission Hospital & Research Centre (operated by S. R. Trust) in Madurai, Tamil Nadu, the hospital's long-standing operational track record of over three decades, comfortable liquidity position and capital structure, and presence of well-qualified and experienced team of medical professionals and advanced medical equipment. However, the rating is constrained by high dependence on a single hospital, which contributes to a major portion of the Trust's revenues and continued dependence on scarcely available medical professionals in an increasingly competitive region.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Diversifying revenue concentration from single-location hospital and maintaining consistent occupancy rate of over 80%.
- Improving scale of operations significantly with surplus before interest and depreciation (SBID) margin of 18% on a sustained basis.

Negative factors

- Large debt-funded capital expenditure, leading moderate capital structure with overall gearing ratio above 0.5x.
- Any significant attrition of doctors due to competition or drop in occupancy rate below 60% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the trust is expected to maintain comfortable occupancy levels with an established regional presence and sustain comfortable capital structure with healthy accruals in the medium term.

Detailed description of key rating drivers:

Key strengths

Experience of founders in healthcare industry

Dr N Sethuraman, founder of the trust, is a renowned urologist with nearly four decades of experience in the healthcare industry. He is a recipient of Dr B C Roy National Award from the President of India for Medico Social Relief in 1998. Dr Rajam Sethuraman (Chairperson), wife of Dr N Sethuraman, is a well-known gynaecologist with over three decades of experience. The founder is supported by his son Dr S Gurushankar, the Managing Trustee, who actively manages daily operations of the hospital.

Long-standing operational track record with well-equipped facilities and established presence in Madurai

Madurai Meenakshi Mission Hospital & Research Centre (MMHRC) is one of the largest tertiary care hospitals in south Tamil Nadu, catering patients in Madurai and surrounding districts. The hospital regularly upgrades its equipment with latest technologies and regularly conducts CME programs, displaying its advanced equipment and specialities to attract more doctors and referral clinics as a part of promotional initiatives.

Consistent operational and financial performance of the Trust

The trust's scale of operations has improved with total operating income (TOI) from ₹446.21 crore in FY23 to ₹521.10 crore in FY24 owing to increase in patient flow and improved occupancy rate. The occupancy rate improved from 65% in FY23 to 72% in FY24. The ARPOB stood comfortable at ₹26,941 in FY24 against ₹25,870 in FY23. The SBILD margin increased marginally from

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

15.10% in FY23 to 15.49% in FY24. The trust had booked income of ₹278.72 crore aligned with SBILD margin of 15.57% in H1FY25.

Financial profile marked by comfortable capital structure and debt coverage indicators

S.R. Trust's financial risk profile continues to be comfortable with healthy accruals, low gearing and comfortable debt service coverage indicators despite the regular large debt funded capex. Capital structure stood comfortable with overall gearing of 0.38x as on March 31, 2024 (PY: 0.35x). Debt coverage indicators remained comfortable with total debt to gross cash accruals (TD/GCA) of 2.36x as on March 31, 2024, against 2.34x as on March 31, 2023.

Key weaknesses

Single-location regional player and growing competition in the industry

Despite its long track record and continued patronage of local population, S.R. Trust operates through only one hospital. The new hospital incorporated in June 2013 has only out-patient facilities. Being a single-location player limits its reach to this geographical region. MMHRC faces competition from existing players in the region, providing tertiary care services, regional private hospitals giving primary care and secondary care services, and large number of private clinics.

Scarcely available qualified medical professionals

The healthcare industry highly depends on scarcely available, qualified medical professionals. Given individual practice constraints and associated costs, doctors are incentivised to associate with hospitals and work using latest technology. Given the increasing competition and scarcity of medical specialists, the trust's ability to retain its current pool would be a key differentiator.

Liquidity: Adequate

Liquidity is characterised adequate with expected accruals of ₹70-80 crore in FY25 against repayment obligations of ₹51.0 crore in FY25. The trust has working capital limits of ₹10 crore and average utilisation stood low at 5.26% for the last 12-months ended September 2024. The hospital maintains an inventory of medicines and consumables for 5-6 days. Debtors mainly include receivables from insurance companies and other corporates, which contribute ~20-25% of the total income and the balance 70-75% of the total income is on a cash basis. These receivables are collected within a maximum span of 45 days. The current ratio stood comfortable at 2.03x as on March 31, 2024, against 2.28x as on March 31, 2023.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hospital](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare Services	Hospital

S. R. Trust is a Madurai-based public charitable trust, founded in May 1985 by Dr N Sethuraman, a renowned urologist and social activist. The trust operates an 855-bed (727 operational), multi-specialty hospital, 'Meenakshi Mission Hospital & Research Centre' (MMHRC), at Madurai, Tamil Nadu (TN). It offers healthcare services and related medical education in the region. MMHRC was established in 1990 and is one of the largest tertiary care hospitals in south TN. The hospital, with an experienced team of doctors, is an established name in the region and caters patients mostly from southern TN. Daily activities of the hospital are managed by Dr Gurushankar, Chairman and Managing Trustee.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	H1FY25 (UA)
Total operating income	446.21	521.10	278.72
SBID	67.38	80.72	43.40
Surplus	32.64	34.57	19.71
Overall gearing (times)	0.35	0.38	NA
Interest coverage (times)	7.22	6.41	7.01

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2027	138.75	CARE A; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	138.75	CARE A; Stable	-	1)CARE A; Stable (16-Feb-24)	1)CARE A; Stable (13-Feb-23) 2)CARE A; Stable (04-Apr-22)	-

LT: Long term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

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

Contact us

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About us:

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