

## Malabar Institute Of Medical Sciences Ltd

November 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	264.33 (Reduced from 296.84)	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to bank facilities of Malabar Institute Of Medical Sciences Ltd (MIMS) continues to derive strength from vast experience of its promoter, the Aster group, in the medical field. The rating also derives strength from well-established track record of hospitals in north Kerala 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 dependence of qualified medical professionals and geographical concentration of revenues in northern Kerala. The rating also takes note of ongoing debt-funded green-field project relating to the construction of a new multispecialty hospital at Kasargod, Kerala.

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

#### Positive factors

- Ability to improve the scale of operations above ₹1200 crore with the occupancy levels above 80% across hospitals.
- Improve profitability with profit before interest, lease rentals and depreciation and taxation (PBILDT) margins above 18% on a consistent basis.
- Successful completion of hospital project in Kasargod without cost overruns and achieve occupancy levels in the new hospital.

#### Negative factors

- Significant delays or cost overruns in the completion of ongoing greenfield capex in Kasargod.
- Large debt funded capex leading to moderation in overall gearing above 0.5x.

**Analytical approach:** Standalone

### Outlook: Stable

The outlook is "stable" as the company is expected to maintain its credit risk profile, considering stable financial risk profile, and expansion in operations aided by new capacities.

### Detailed description of 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 nearly three decades of experience in this field. MIMS's holding company, Aster DM Healthcare Limited (AHL) is one of the largest medical service providers in India and holds 79.40% (PY: 76.01%) stake in MIMS as on March 31, 2024.

AHL was started by Dr Azad Moopen in 1987 and has 10 subsidiaries, 79 step-down subsidiaries and JVs, through which, the group operates 19 hospitals, 13 clinics, 215 pharmacies, 232 labs and patients experience centres across Kerala, Andhra Pradesh, Karnataka, Maharashtra, Telangana and Tamil Nadu.

As on April 03, 2024, AHL has announced concluding segregation of the Gulf Corporation Council (GCC) business from the Indian operations, selling 65% stake in the GCC business, while retaining 35% stake with the Moopen Family. This transaction brought AHL a cash inflow of ~US\$903 million, of which, nearly 80% was distributed as dividends to shareholders, with the remainder allocated for future expansion in India. Following this restructuring, AHL now concentrates exclusively on its Indian operations, with MIMS emerging as a key contributor.

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

MIMS's first hospital was established in Calicut in 2001 as a tertiary-care multi-specialty hospital catering to patients in Calicut and surrounding regions. The 696-bedded NABH-accredited hospital at Calicut is one of the largest hospitals in the Malabar region and has ~40 specialties. The NABH-accredited hospital at Kottakkal functions as a tertiary level super-specialty hospital with 357 beds. Established in 2019 with an initial capacity of 302 beds, the Kannur hospital offers similar specialties as the company's other

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

two hospitals. In August 2024, its capacity was expanded by 100 additional beds, which is now fully operational. The company established a new hospital at Areekode in May 2022 with 125-bed capacity, which offers mother and childcare services. With a vintage of nearly two decades, MIMS enjoys good patronage among the people around Calicut and Kottakkal.

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

MIMS-run hospitals are equipped with advanced facilities for cardiology, urology, neurology, orthopaedics, radiology, and gastroenterology, and have state-of-the-art equipment such as CAT scans, PET scan equipment and other advanced equipment. All hospitals are run by a well-qualified, dedicated and experienced team of doctors. As on June 30, 2024, there are total of 766 doctors, who are on roll of MIMS, with all its hospitals being NABH-accredited.

#### **Comfortable capital structure and debt coverage metrics**

The company's capital structure continued to remain comfortable with overall gearing at 0.30x as on March 31, 2024 (PY: 0.29x). Debt coverage metrics also stood comfortable with total debt to gross cash accruals (TD/GCA) of 1.41x as on March 31, 2024 (PY: 1.44x). Interest coverage remained at 9.83x in FY24 against 8.25x in FY23. The company is currently undertaking a greenfield project in Kasargod with 201 bedded multi-specialty unit. The total project cost is ₹143.00 crore, funded by debt of ₹100.0 crore and remaining through internal accruals. Commercial operations are expected to commence in April 2025.

#### **Consistent growth in income with comfortable occupancy levels**

The company's total operating income has grown at a compounded annual growth rate (CAGR) of 12.8% from ₹899.43 crore in FY23 to ₹1014.36 crore in FY24, aided by increased inpatient and outpatient registration in the Kottakkal and Kannur hospitals. The PBILDT margin stood comfortable at 17.95% in FY24, which improved from 16.25% in FY23 aided by improvement in average revenue per operating bed (ARPOB) from ₹29,055 in FY23 to 33,144 in FY24. The overall occupancy levels across all hospitals improved to 78% in FY24 from 76% in FY23.

#### **Key weaknesses**

##### **Dependence on scarcely available qualified medical professionals**

Qualified medical professionals, including doctors, paramedical staff and support staff are important requisites for a hospital to be successful and get continued patronage from the local population. MIMS highly depends on these scarcely available qualified medical professionals. CARE Ratings notes that given the increasing competition and scarcity of medical specialists, the hospital's ability 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, MIMS's entire operations are confined to northern Kerala. The hospital receives patients mostly from the Malabar and Coimbatore regions domestically and has ~5% of international patients as well, mainly from the Arab nations. Hospitals in Calicut, Kannur and Kottakkal face intense competition from other hospitals in these regions.

#### **Liquidity: Strong**

The company has a strong liquidity profile marked by sufficient cushion in accruals of ₹138.83 crore in FY24 against repayment obligations of ₹29.87 crore in FY25. The company primarily operates on a cash-and-carry model and has average collection period of 15 days (PY:18 days), which also includes insurance case receivables, accounting for ~24% of the total income. The hospital has an average inventory period of 11 days (PY: 13 days) in FY24. The company gets its store of medicines and instruments from dealers in medium consignments. The company normally maintains a credit period of ~45-60 days with its suppliers for equipment and medicines. The current ratio stood at 0.75x as on March 31, 2024 (PY: 0.63x). The company has been sanctioned with a working capital limit of ₹44.0 crore and its average utilisation stood low at 8.98% for 12-months ended July 2024. MIMS also had free cash balance of ₹46.07 crore as on March 31, 2024, against ₹22.50 crore 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

Part of the Aster group, MIMS, was incorporated in 1995 for providing advanced healthcare services in the Malabar region of Kerala. 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 NABH accredited hospitals in Calicut, Kottakal, Areekode and Kannur, Kerala. The flagship company of the Aster group, AHL was started by Dr Azad Moopen in 1987. AHL is the major shareholder, holding 79.40% of stake in MIMS as on March 31, 2024.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	899.43	1014.36	571.96
PBILDT	146.13	182.11	123.30
PAT	70.36	108.98	65.98
Overall gearing (times)	0.29	0.30	0.26
Interest coverage (times)	8.25	9.83	17.54

A: Audited UA: Unaudited; 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-Cash credit		-	-	-	44.00	CARE A; Stable
Fund-based - LT-Term loan		-	-	December 2034	220.33	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	220.33	CARE A; Stable	-	1)CARE A; Stable (01-Nov-23)	1)CARE A; Stable (04-Nov-22)	1)CARE A-; Positive (29-Sep-21)
2	Fund-based - LT-Cash credit	LT	44.00	CARE A; Stable	-	1)CARE A; Stable (01-Nov-23)	1)CARE A; Stable (04-Nov-22)	1)CARE A-; Positive (29-Sep-21)

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-Cash credit	Simple
2	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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