

Pulikkal Medical Foundation

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	167.90 (Enhanced from 159.88)	CARE A-; Stable	Downgraded from CARE A; Stable
Short-term bank facilities	30.50 (Enhanced from 15.50)	CARE A2+	Downgraded from CARE A1

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings assigned to bank facilities of Pulikkal Medical Foundation (PMF) factors in moderation in debt protection metrics and liquidity parameters on account of slowdown in execution of large debt-funded capex undertaken in the last three years. Ratings continue to derive strength from its promoters' vast experience in the healthcare industry, established presence of the hospital in the Kochi region, its long track record of operations for over four decades, and comfortable capital structure. However, ratings are constrained by revenue concentration from a single hospital, project risk associated with large ongoing debt-funded capex, dependence on scarcely available medical professionals, and growing competition in the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the trust to significantly scale up the operations to above ₹400 crore with SBID margin above 14% on a sustained basis.
- Ability to geographically diversify income from different hospitals.
- Ability to improve debt coverage metrics leading to total debt to gross cash accruals (TD/ GCA) below 3x.

Negative factors

- Any further slowdown in ongoing capex or lower-than-expected generation of accruals from the new hospital blocks leading to stretch in the liquidity position.
- Any further large debt-funded capital expenditure leading to moderation of capital structure with gearing ratio above 0.8x.

Analytical approach: Standalone

Outlook: Stable

The 'stable' outlook indicates the expected sustenance of the growth in scale of operations of the Trust from the main hospital, well-established regional presence, and the long track record of operations.

Detailed description of key rating drivers:

Key strengths

Vast experience of the promoters

The promoters of PMF have a long track record of managing the affairs of the hospital and are actively involved in the day-to-day operations of the hospital. There is a clear demarcation of functional areas among them with assistance by a team of professionals.

Established hospital in the region

The hospital is one of the largest National Accreditation Board for Hospitals and Healthcare providers (NABH) accredited tertiary care hospitals in Kerala catering to patients in Kochi and its surrounding districts. Over the years, Medical Trust Hospital (MTH) has grown from a small primary care hospital to a multi-specialty tertiary care referral hospital with a total bed capacity of 850 beds as on November 30, 2024. MTH is accredited by National Board of Examination in 16 specialties for Diploma in National Board (DNB). The hospital also runs courses such as M.Sc. Nursing, B.Sc. Nursing, Post B.Sc. Nursing, and Diploma in radiology, and Diploma in ophthalmic assistance among others.

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

Stable operational performance of the existing hospital

The total operating income (TOI) of the Trust improved by 13% to ₹328 crore in FY24 (refers to April 1 to March 31) from ₹291 crore in FY23 due to increase in in-patient numbers and occupancy from 64% in FY23 to 77% in FY24 and 78% in H1FY25 in the Kochi hospital and from 34% in FY23 to 49% to FY24 and 69% in H1FY25 in the Kuzhipilly hospital. The average revenue per occupied bed (ARPOB) continued to be relatively low at ₹16,152 in FY24, albeit improved from ₹15,837 in FY23. The SBID margin which dropped from 11.43% in FY23 to 7.61% in FY24 due to the higher repair and maintenance expenses had recovered to 14.12% in H1FY25.

Key weaknesses**Delay in execution of large debt-funded capex , however, nearing completion**

PMF is setting up a 100-bed hospital specialising in women and child healthcare at a total project cost of ₹85.25 crore funded by term loan of ₹62 crore and the rest by accruals. The project faced delays due to COVID-19 pandemic, delay in sanctioning license for construction of lifts and NABL accreditation, and structural changes among others, and hence, the project is expected to be completed by April 2025 against March 2024 considered earlier, although the labs and paediatric dental OPD has been commenced operations from August 2023.

The 150-bed hospital specialising in heart, kidney, and liver transplant in Ravipuram at revised project cost of ₹142.75 crore, funded by term debt of ₹100 crore and the rest by internal accruals is expected to be completed by December 2024 against the earlier estimates of March 2024. The trust has increased the scope by adding a cathlab and a robotic surgery equipment at the cost of ₹33.75 crore, funded by ₹27 crore of term loan, and rest through accruals.

During FY24, the Trust planned to set up a Radiation Oncology Centre adjacent to the Transplant Centre with day care rooms and private suites, at the cost of ₹55 crore funded by term loan of ₹42.5 crore and rest by accruals. The project is expected to be completed by April 2026 against December 2025. CARE Ratings observes, the ability to successfully complete the above projects on time without major cost overrun and achieve envisaged occupancy levels in the new hospital remains key to the prospects.

Moderate debt coverage metrics

The capital structure of the trust moderated with overall gearing at 0.38x as on March 31, 2024 (PY: 0.28x), due to the incremental debt availed for the ongoing capex. The debt coverage metrics also moderated with TD/GCA of 4.03x as on March 31, 2024 (PY: 2.47x). Debt coverage metrics are expected to be moderate in the near term due to the debt-funded capex.

Concentrated nature of operations and growing competition in the industry

Despite being operational for around five decades and enjoying continued patronage from the local population, the major portion of the revenue (90%) of PMF is contributed by the Kochi hospital. MTH faces competition from the existing players in the region providing tertiary care facilities, regional private hospitals giving primary care and secondary care services, and large number of private clinics.

Reliance on scarce medical professionals

The presence of qualified medical professionals, such as doctors, paramedical staff, and support staff is one of the important requisites of a hospital to be successful and to get continued patronage from the local population. MTH highly depends on these scarcely available medical professionals. Given the increasing competition and the scarcity of medical specialists, CARE Ratings continues to monitor the ability of the hospital to retain its current pool.

Liquidity: Adequate

The liquidity is adequate marked by accruals of ₹25.56 crore in FY24 against repayment obligations of ₹14.40 crore in FY25 and cash balance of ₹4.99 crore as on March 31, 2024. Since most of the transactions are of cash and carry nature and with healthy accruals, the liquidity position of the trust is healthy. Furthermore, the debtors mainly include receivables from insurance companies and other corporates contributing ~34% of the total income and balance 66% of the total income is on cash basis. The hospital maintains inventory of medicines and consumables for 10-5 days. The receivables from the insurance companies are received within 10-25 days. The hospital enjoys a credit period of ~35-45 days from its suppliers. The average working capital utilisation stood at 77.64% in the past 12 months ended November 2024. The current ratio stood below unity at 0.75x as on March 31, 2024.

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](#)
[Education](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare services	Hospital

PMF was initially established as a partnership firm in 1972 in the name of Pulikkal Corporation (PC) by its founder director Late Dr. P. A. Verghese. PC later established Medical Trust Hospital (MTH) in 1973. Subsequently, in 1976, PC was converted into a private limited company and was renamed as Pulikkal Medical Foundation Private Limited. Later in 1988, the company was registered under section 25 of the Companies Act with the objective to run for charitable purpose and was renamed as PMF. The Trust runs a 750-bed multispecialty hospital at Kochi, Kerala, and another 100-bed hospital at Kuzhuppilly, which acts as a satellite centre to the main hospital.

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	30-09-2023 (UA)
Total operating income	291.55	328.65	184.67
SBID	33.32	24.99	26.07
Surplus	24.24	13.39	19.68
Overall gearing (times)	0.28	0.38	NA
Interest coverage (times)	124.88	67.59	32.58

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		-	-	September 2031	167.90	CARE A-; Stable
Fund-based - ST-Bank overdraft		-	-	-	23.50	CARE A2+
Non-fund-based - ST-BG/LC		-	-	-	7.00	CARE A2+

Annexure-2: Rating history of 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	Non-fund-based - ST-BG/LC	ST	7.00	CARE A2+	-	1)CARE A1 (17-Jan-24)	1)CARE A1 (13-Jan-23)	1)CARE A1 (03-Mar-22)
2	Fund-based - LT-Term loan	LT	167.90	CARE A-; Stable	-	1)CARE A; Stable (17-Jan-24)	1)CARE A; Stable (13-Jan-23)	1)CARE A; Stable (03-Mar-22)
3	Fund-based - ST-Bank overdraft	ST	23.50	CARE A2+	-	1)CARE A1 (17-Jan-24)	1)CARE A1 (13-Jan-23)	1)CARE A1 (03-Mar-22)

LT: Long term; ST: Short 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
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-BG/LC	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 on the basis of 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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