

Press Release

PIMS Medical and Education Charitable Society

16 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 49.20 Crore
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.49.20 crore bank facilities of PIMS Medical and Education Charitable Society (PIMS). The outlook is '**Stable**'.

The Jalandhar-based PIMS, a medical college cum hospital was established by the Punjab government in 1999. The hospital commenced operations in 2010. Subsequently, it was converted into a public private partnership society and taken over by a professional board in 2013. The college began functioning from 2011.

Key rating drivers

Strengths:

Established presence

PIMS has an established presence as a medical college cum hospital in Jalandhar for the last two decades with 150 MBBS seats. It has around 650 beds and 15 operation theatres. The institution also derives revenue from pharmacy on revenue-sharing basis and rental income from shops set-up within the hospital premises. PIMS reported net receipts of Rs.49.27 crore for FY2017 as against Rs.42.38 crore in the previous year, thereby reporting 17 percent increase in revenue.

Funding support from trustees

The operations are led by trustees including Mr. Rajan Kashyap, Mr. Vikramaditya Rajput, Mr. JS Puri and others with extensive experience in the education sector. PIMS also benefits from the funding support of the trustees in the form of unsecured loan of Rs.327.61 crore as on 31 March, 2017 as the same is subordinated to bank debt. Further, any shortfall in the net cash accruals to meet the debt repayment is expected to be supported by the members' funds as observed in the past.

Weaknesses:

Geographical concentration risk

The operations of the institution are limited to Jalandhar (Punjab). As a result, PIMS is exposed to geographical concentration risk.

Weak coverage indicators

The debt coverage indicators are weak as the interest coverage ratio stood at -7.93 times for FY2017 as against -15.22 times in the previous year. This is on account of the losses at the Surplus Before Interest and Depreciation (SBID) level of Rs.11.14 crore for FY2017 as against Rs.10.32 crore in the previous year. The losses are on account of subsidised tariff rates as against high operational expenses.

Unfavourable regulations

The society operates in the education as well as healthcare sector which are highly regulated. Any change in policies in the above mentioned sectors are likely to impact the operations of the society.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of PIMS Medical and Education Charitable Society to arrive at the rating.

Outlook: Stable

SMERA believes that PIMS will maintain a 'Stable' outlook over the medium term on account of its established presence and funding support by the trustees. The outlook may be revised to 'Positive' if improvement in receipts and operating margins lead to improvement of the capital structure of PIMS. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability margins, or further deterioration in the financial risk profile due to major debt funded capex plan.

Applicable Criteria

- Service Entities - <https://www.smera.in/criteria-service.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

About the Rated Entity -Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Receipts	Rs. Cr.	49.27	42.38	30.12
SBITDA	Rs. Cr.	(11.14)	(10.32)	(12.66)
Surplus	Rs. Cr.	(15.34)	(15.34)	(17.32)
SBITDA Margin	(%)	(22.61)	(24.36)	(42.01)
Surplus Margin	(%)	(31.14)	(36.19)	(57.51)
ROCE	(%)	(18.21)	(19.97)	(44.29)
Adjusted Total Debt/Corpus Fund	Times	0.17	0.10	0.21
SBDIT/Interest	Times	(7.93)	(15.22)	(4.53)
Total Debt/SBDIT	Times	(1.58)	(0.95)	(1.25)
Gross Current Assets (Days)	Days	52	57	85

Status of non-cooperation with previous CRA (if applicable):

CARE in its press release dated 22 January, 2018 had inter-alia mentioned the following: 'CARE has been seeking information from PIMS Medical and Education Charitable Society to monitor rating(s) vide e-mail communications/letters dated December 29, 2017 and numerous phone calls. However, despite our repeated requests, the society has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on PIMS Medical and Education Charitable Society's bank facilities will now be denoted as CARE A4; ISSUER NOT COOPERATING. Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.90	SMERA B/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	31.00	SMERA A4
Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.30	SMERA A4

Note on complexity levels of the rated instrument:
<https://www.smerra.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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