

Press Release

PIMS Medical and Education Charitable Society

July 02, 2020



Rating Upgraded

Total Bank Facilities Rated*	Rs.43.00crore
Long Term Rating	ACUITE BB/ Outlook: Stable (Upgraded from ACUITE B/Stable)
Short Term Rating	ACUITE A4+ (Upgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE B**' (**read as ACUITE B**) and short term rating to '**ACUITE A4+**' (**read as ACUITE A four plus**) from '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.43.00crore bank facilities of PIMS MEDICAL AND EDUCATION CHARITABLE SOCIETY (PIMS). The outlook is '**Stable**'.

The rating is upgraded on account of significant improvement in business and financial risk profile as well as liquidity position. The society has booked revenue of Rs.66.87crore in FY2019 as compared to Rs.52.25crore in FY2018 reflecting an increase of around 28 percent. The EBITDA margin has increased to 16.27 percent in FY2019 as against (2.54) percent in FY2018 and subsequently the PAT margin has increased to 11.17 percent in FY2019 as compared to (10.76) percent in FY2018. The financial risk profile is healthy marked by healthy net worth of Rs.75.80crore in FY2019 as against Rs.66.59crore in FY2018, low gearing of 0.01 times in FY2019 as against 0.13 times in FY2018 and healthy debt protection metrics.

Established in the year 1999 by the Punjab Government, PIMS is a Jalandhar, Punjabbased medical college and hospital. The hospital commenced its operation in the year 2010. Subsequently, it was converted into a Public Private Partnership Society and was taken over by a professional board in 2013. Since 2011, the college has started operating.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of PIMS to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

PIMS is headed by Mr.Amit Singh and Dr.Kulbir Kaur. They have been engaged in the aforementioned line of business for more than two decades. 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 750 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 has reported an operating income of Rs.66.87crore in FY2019 as against Rs.52.25crore in FY2018. The operating income is around Rs.67.26crore (Prov.) in FY2020.

Acuité believes that the PIMS will benefit from the experience of the management and established track record.

- **Healthy Financial Risk Profile**

PIMS's financial risk profile is healthy, marked by healthy net worth, low gearing and healthy debt protection metrics. PIMS's net worth is healthy and is estimated at around Rs.75.80crore as on March 31, 2019. The net worth levels have seen improvement over the last three years through FY2019 on account of healthy accretion to reserves during the same period. The gearing ratio improved to around 0.01 times as on March 31, 2019 from 0.13 times as on March 31, 2018. The company on the other hand generated cash accruals of Rs.12.55crore in FY2019. PIMS's cash accruals over the next two years through FY2022 are estimated to remain in the range of Rs.11.36crore to Rs.12.07crore. The gearing however is expected to continue to be low at around 0.1 times as on March 31, 2021 on back of absence of any major debt funded capex plan. PIMS had accumulated losses of Rs.302.34crore as on March 31, 2019. However, these losses were mitigated by unsecured loan of Rs.330.09crore subordinated to bank debt and hence treated as quasi equity and included in the net worth.

The revenues of the company increased by around 27.99 percent to Rs.66.87crore during 2018-19, while its' operating margin has increased from (2.54) percent in FY2018 to 16.27 percent in FY2019. The profitability levels coupled with low debt levels has led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY2019 were at 27.35 times and 15.86 times, respectively.

Acuité believes that the financial risk profile of the society is likely to remain healthy over the medium term, on account of low gearing, strong debt protection metrics and absence of any major debt funded capex plan.

Weaknesses

- **Highly Regulated Sector and geographical concentration risk**

PIMS operates in the education and healthcare sector which are highly regulated. Any change in the policy may adversely impact the operation of the society. Moreover, the operation of PIMS is restricted to Jalandhar, Punjab leading to geographical concentration risk.

- **Competitive and fragmented industry**

PIMS operates in a highly competitive industry marked by presence of competition from other healthcare and educational establishments in Punjab. This can adversely impact the profitability margins of the society.

Rating Sensitivities

- Improvement in the profitability thereby improving the overall financial risk profile
- Stretch in working capital cycle leading to deterioration in liquidity

Material Covenants

None

Liquidity position: Healthy

PIMS has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. PIMS generated cash accruals of Rs.12.55crore in FY2019 as against maturing debt obligations of Rs.0.08crore during the same period. The cash accrual of the company is estimated to remain around Rs.11.36crore to Rs.12.07crore during 2020-21 against no repayment obligations during the same period. The company's working capital operations is efficient marked by the gross current asset (GCA) days of 82 days for FY2019. The average bank limit utilization stood at 10.57 per cent for six months ended April, 2020. PIMS maintains unencumbered cash and bank balances of Rs.5.95crore as on 31 March 2019. The current ratio stands at 4.57 times as on 31 March 2019. Acuité believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy net cash accruals to its debt repayments over the medium term.

Outlook: Stable

Acuité believes that PIMS will maintain a stable outlook over the medium term backed by its experienced management and established track record in the aforementioned industry. The outlook may be revised to "Positive", if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to "Negative", if company generates lower-than-anticipated cash accrals, most likely as a result of sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	66.87	52.25
PAT	Rs. Cr.	7.47	(5.62)
PAT Margin	(%)	11.17	(10.76)
Total Debt/Tangible Net Worth	Times	0.01	0.13
PBDIT/Interest	Times	15.86	1.11

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
June 25, 2019	Secured Overdraft	Long Term	10.00	ACUITE B/Stable (Reaffirmed)
	Term Loan	Long Term	1.90	ACUITE B/Stable (Reaffirmed)
	Proposed Secured Overdraft	Long Term	6.30	ACUITE B/Stable (Reaffirmed)
	Bank Guarantee	Short Term	31.00	ACUITE A4 (Reaffirmed)

April 16, 2018	Secured Overdraft	Long Term	10.00	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	1.90	ACUITE B/Stable (Assigned)
	Proposed Secured Overdraft	Long Term	6.30	ACUITE B/Stable (Assigned)
	Bank Guarantee	Short Term	31.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB/ Stable (Upgraded)
Term Loan	21-Jul-17	Not Applicable	07-Feb-20	1.90	ACUITE BB/Stable (Upgraded and withdrawn)
Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	31.00	ACUITE A4+ (Upgraded)

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About Acuité Ratings & Research:

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