



Press Release
IQ CITY FOUNDATION
October 24, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	198.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	198.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on the Rs. 198.00 Cr. bank facilities of IQ City Foundation (IQCF). The outlook is ‘**Stable**’.

Rationale for rating assigned

The rating assigned factors in the improvement in the scale of operations in FY2024 and sustenance of it in the H1FY25 as well. The rating also considers in the increase in the occupancy rates in the hospital and increase in enrolment rates in the MBBS courses along with increase in PG clinical courses. Additionally, the number of seats in the MBBS course are being increased to 250 from 200 in the academic year 2024-25, reflecting further growth in revenue in the near to medium term. Furthermore, the ratings also consider its experienced management, satisfactory infrastructure with association of experienced faculties and reputed doctors, locational advantages and corporate tie-ups and tie-ups with various medical insurance companies. These strengths are partly offset by the leveraged capital structure, constitution as a society and susceptibility to regulatory risks.

About the Company

Established in February 2006, IQ City Foundation (IQCF) is a registered society under the West Bengal Societies Registration Act, 1961 and has been formed for the purpose of establishing and operating hospital and educational institutions. IQCF, a part of Mani Group, has set up a Medical College and a Teaching cum multi-speciality Hospital (under the name IQ City Foundation) at Mouza Sovapur in Durgapur, West Bengal on 100 acres parcel of land allotted to it by Govt. of West Bengal.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced promoters and established group

IQ City Foundation(IQCF) was setup in February 2006, and the current President of the society is Mr. Sanjay Jhunjhunwala(Promoter of Mani Group, a Kolkata-based conglomerate). Mani Group, a Kolkata-based conglomerate founded in 1980 by Mr. Sanjay Jhunjhunwala, has established itself as a leading real estate developer in the region. Over the past 35 years, the Group has delivered more than 25 million square feet across over 50 properties, spanning sectors such as hospitality, retail, education, healthcare, and real

estate. Expanding its footprint beyond Kolkata, Mani Group now operates in cities like Durgapur, Jaipur, Siliguri, and Bhubaneswar.

Acuite believes that the established track record of the group shall support the business risk profile of the society to an extent.

Locational advantages

The hospital is set up in Durgapur, West Bengal, which has developed into a self- sustained township over the years, and currently is one of the fastest growing cities of West Bengal. Further, with increase in urbanisation and

growing income level, the perception of patients as consumers has also changed leading to an increase in demand for quality care hospitals. Furthermore, the site is easily accessible as it is located closed to both airport (Kolkata & Andal Domestic Airport approx. 25km) and Railway Station (12 kms) and is connected by the town roads and public transport including bus and auto rickshaws.

Improved scale of operations albeit decline in operating margin

The operating income of the entity improved to Rs.244.39 Cr. in FY2024 as against Rs.232.70 Cr. in FY2023, thereby registering an y-o-y growth of ~5.02 per cent. The revenue growth has been driven by increase in fees from MBBS course and increased occupancy and fees in PG (Clinical & Non-Clinical) courses as well as increase in revenue from medical care operations. Further, it has achieved a revenue of Rs.147.5 Cr. in H1 FY25.

However, the operating margin of the entity declined to 26.69 % in FY2024 from 35.42 % in FY2023. This decline is primarily due to an increase in faculty members needed to accommodate the addition of 50 MBBS seats and to get approval for increasing the total seats, raising total enrolment from 200 to 250 for the 2024-25 academic year, which led to higher employee costs during the period. The Profit After Tax (PAT) margin recorded a decline, standing at 12.12% in FY2024, as compared to 17.56% in FY2023.

Acuite believes the revenue to be sustained in the medium term on account of projected increase in number of seats and fees of MBBS course and pickup in the PG (Clinical Courses), which is not expected to reduce in the near to medium term. Further, revenue of Rs.147.5 Cr. in H1FY25 shows sustenance of the revenues in FY25 as well. Moreover, the college has got an approval for an intake of 250 students (increased from 200 students) for the academic year 2024-25. The EBITDA margins are also expected to improve in the near to medium term due to increase in medical college revenues, thereby positively affecting the absorption of costs.

Weaknesses

Average financial risk profile

The financial risk profile of the trust is average marked by moderate net worth, gearing and average debt protection metrics. The tangible networth of the trust stood at Rs.73.22 Cr. as on March 31, 2024 as against Rs. 35.22 Cr. as on March 31, 2023. Acuite has considered unsecured loan of Rs.24.70 Cr. as on March 31, 2024 as Quasi Equity as the management has undertaken to maintain this amount in the business over the medium term. On account of consideration of quasi equity, the gearing improved to 2.53 times as on March 31, 2024 as against 5.63 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.96 times as on March 31, 2024 as against 9.56 times as on March 31, 2023. Further, the debt protection metrics of the company stood moderate reflected by debt service coverage ratio of 1.21 times for FY24 as against 1.41 times for FY23. The interest coverage ratio stood at 2.80 times for FY24 as against 2.94 times for FY23. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.25 times as on March 31, 2024 as against 0.29 times as on March 31, 2023.

Acuite believes that going forward the financial risk profile of the trust is likely to be sustained despite debt funded capex plan backed by steady accruals.

Susceptibility to regulatory risk

In India, Medical Colleges are closely governed by Medical Council of India (MCI). The overall organisational set up as well as the operations has to be strictly in line with the guidelines issued by MCI from time to time failing which there exists a risk of non-renewal of licence which in turn can obstruct the operations of an entity.

Rating Sensitivities

- Ability to sustain steady growth in scale of operations and profitability, while improving the financial risk profile.
- Addition of new curriculum leading to increase in number of enrolments.
- Timely completion of the planned capex.
- Higher than expected increase in debt levels leading to moderation in the financial risk profile.
- Lower-than-expected revenue or profitability leading to lower net cash accruals.

Liquidity Position**Adequate**

The society's liquidity position is adequate. The society generated healthy net cash accruals of Rs. 45.84 Cr. in FY2024 as against its maturity debt obligations of Rs. 33.21 Cr. during the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.65.78 – Rs.85.87 Cr. against its maturing repayment obligations in the range of Rs.27.99- Rs.40.71 Cr. over the medium term. Further, the current ratio stood at 1.46 times as on 31st March 2024 as compared to 1.17 times as on 31st March, 2023. The cash and bank balance of the trust stood at Rs.3.96 Cr as on March 31, 2024.

Acuité believes that going forward the trust will maintain adequate liquidity position due to steady cash accruals.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	244.39	232.70
PAT	Rs. Cr.	29.63	40.86
PAT Margin	(%)	12.12	17.56
Total Debt/Tangible Net Worth	Times	2.53	5.63
PBDIT/Interest	Times	2.80	2.94

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

CARE, vide its press release dated November 03rd, 2023 had denoted the rating of IQ City Foundation as CARE B/ Stable 'REAFFIRMED AND ISSUER NOT CO-OPERATING'.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Funded Interest Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2028	1.86	Simple	ACUITE BBB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	31.52	Simple	ACUITE BBB- Stable Assigned
Axis Finance Limited	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB- Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2029	37.48	Simple	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2029	36.91	Simple	ACUITE BBB- Stable Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2028	33.27	Simple	ACUITE BBB- Stable Assigned
Axis Finance Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Nov 2032	14.44	Simple	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2026	6.64	Simple	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2028	6.66	Simple	ACUITE BBB- Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2026	6.20	Simple	ACUITE BBB- Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	5.62	Simple	ACUITE BBB- Stable Assigned
Axis Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2026	6.27	Simple	ACUITE BBB- Stable Assigned
Axis Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2028	6.13	Simple	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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