

Bhagwan Mahaveer Memorial Jain Trust

Instruments	Amounts	Rating Action
	(Rs. Crore ¹)	August 2016
Fund Based limits	69.78	[ICRA]BB+ (Stable) / revised from [ICRA]BBB- (Stable)
Non Fund Based limits	0.50	[ICRA]A4+ / revised from [ICRA]A3

ICRA has revised the long term rating outstanding on the Rs. 69.78 crore fund based facilities to [ICRA]BB+ (pronounced ICRA double B plus)² from [ICRA]BBB- (pronounced ICRA triple B minus). The outlook on the rating is stable. ICRA has also revised the short term rating on the Rs.0.50 crore short term non fund based limits of BMMJT to [ICRA]A4+ (pronounced ICRA A four plus) from [ICRA]A3 (pronounced ICRA A three).

The ratings revision takes into account deterioration in financial profile of BMMJT following the sizeable capital expenditure incurred by the Trust over the last three years. The Trust incurred a total capital expenditure of Rs. 154.6 crore towards setting up of two hospitals in Bangalore which have commenced operations recently with a delay of 18 months. Modest occupancy levels at the newer units given the nascent stage of their operations together with increased outgo towards interest are likely to maintain pressure on BMMJT's cash flows over the next 12-18 months. The Trust's operating margins fell sharply from 10.2% in FY2015 to 6.0% in FY2016 while its Total Debt / OPBDITA³ increased from 7.8x as on March 31, 2015 to 17.3x as on March 31, 2016.

However, ramp up in operations in the new units (290-bed super multi-speciality hospital (adjacent to the existing hospital) and a 90-bed hospital in Girinagar, Bangalore) supported by BMMJT's established presence in the Bangalore market is likely to aid in revival of its operating performance going forward. The ratings continue to take into account BMMJT's focus on niche super-specialty segments with limited competition, supporting its growth prospects; the Trust's strong brand presence in the Bangalore market; and the reasonably diversified revenues across various specialties mitigating the risk of revenue volatility. ICRA notes that, the Trust's financial flexibility remains well supported by its strong trustee base with a demonstrated track record of regular donations in the past.

The rating continues to factor in the relatively small scale of operations, albeit improving, the continued high dependence on the flagship hospital for earnings and lower margins of the charitable treatments. In addition, for the hospital to improve its occupancy levels amidst the intense competition in the healthcare sector would be highly dependent upon its ability to retain reputed consultants, steadily enhance the share of institutional business, and maintain competitive tariff levels. Thus the ability of the Trust to successfully ramp up the occupancy levels at its existing and the new hospital would be critical to supporting earnings in light of the increasing fixed costs and debt repayments in the ensuing years and would be key rating sensitivities.

Trust Profile

Bhagwan Mahaveer Memorial Jain Trust was started in 1975 with the objective of helping the economically weaker sections of the society. In the early 1980s, the trust established a small medical facility at Millers Road in Bangalore providing outpatient consultations. Later in 1990, the existing facility was converted to a full-fledged hospital catering to multiple specialties. After several capacity enhancements over the years, the hospital presently is catering to multiple specialties including vascular surgery, OBG, Pulmonology, orthopedics and cardiology among others. The trust has recently constructed its second multi-speciality hospital with 290 beds at Millers Road (adjacent to the existing hospital) and also a small feeder hospital with 90 beds at Girinagar (Bangalore) with basic diagnostic and treatment facilities.

¹ 100 lakhs = 1 crore = 10 millions

² For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications

³ OPBDITA – Operating Profit before Depreciation, Amortization, Interest and Tax

Recent Results

As per the provisional results for year ending 31st March, 2016, the Trust has reported net profit of Rs.2.6 crore on an operating income of Rs.86.0 crore as against a net profit of Rs.6.1 crore on an operating income of Rs.85.2 crore during the previous fiscal, ending March 31, 2015.

August 2016

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