

November 14, 2017

DM Education and Research Foundation

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund-based Facilities	263.00	[ICRA]BB+ (Stable) assigned
Non-fund based Facilities	15.00	[ICRA]BB+ (Stable) assigned
Total	278.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned a long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) ¹ to the Rs. 263.00-crore² fund based bank facilities and Rs. 15.00-crore non-fund based bank facilities of DM Education and Research Foundation (DMERF). The outlook on the long-term rating is 'stable'.

Rationale

The rating assigned takes into consideration the profile of the trustees of DMERF and the continued funding support received from the trustees to meet the cash deficits and capital expenditure requirements of DMERF. The chairman of DMERF is Dr Azad Moopen, who is also the founder and chairman of Aster DM Healthcare Limited (rated [ICRA]A2+), a leading healthcare services provider with operations across India and GCC countries. The rating also takes into account the strong demand for medical education in the country, leading to continued high occupancy levels in the medical college.

The rating is, however, constrained by the weak standalone financial profile of the trust owing to modest scale of operations and the deficits in the teaching hospital associated with the college. The trust has reported cash deficits in the past and there is high dependence on funding support from the trustees to meet its projected financing deficits.

Going forward, stabilization of operations at its medical college and hospital divisions as well as timely infusion of funds from trustees to finance its cash deficits requirements would be the key rating sensitivity factors.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

Key rating drivers

Credit strengths

- **Successful track record of the group in healthcare segment** – DMERF's chairman, Mr. Azad Moopen, has a successful track record of more than 30 years in the field of medical healthcare. Dr Moopen is also the founder and chairman of Aster DM Healthcare Limited, a leading healthcare services provider with operations across India and GCC countries.
- **Strong demand for medical education** – There continues to be strong demand for medical education in the country. This has resulted in continued high occupancy levels in DMERF's flagship medical programme.
- **Continued financial support from trustees** – DMERF continues to enjoy significant financial support from its trustees through timely infusion of funds to support its operations and capital expenditure requirements.

Credit weaknesses

- **Low occupancy levels at the teaching hospital** – The teaching hospital of DMERF has been generating substantial deficits, due to low occupancy level and modest revenues per occupied bed day. Improvement in the operational parameters at the hospital would be critical for the trust to reach cash breakeven.
- **Operational and cash deficits** – DMERF continues to report operational deficits due to modest scale of operations at the medical college and weak demand profile in the attached hospital, whereas the trust incurs significant operational expenditure in relation to the teaching and medical staff at the college and hospital.
- **High dependence on funds from trustees** –DMERF is highly dependent on the trustees to infuse funds in a timely and regular manner to support its operations and capital expenditure requirements.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

DMERF is a charitable educational trust created for the purpose of promoting and imparting medical, para-medical, engineering, technical, management and all other allied studies. The trust currently operates a medical college, a nursing college, a pharmacy college and a hospital at Naseera Nagar in Wayanad, Kerala. The campus is spread across 50 acres encompassing 12.5 lakh sqft of built-up area. The medical college started operations in AY2013-14 and has a sanctioned intake of 150 students in the MBBS course. There are 240 doctors and close to 800 beds in the hospital.

Key financial indicators

	FY2016	FY2017 [^]
Revenue Receipts (Rs. crore)	48.4	64.2
Net Surplus / (Deficit) (Rs. crore)	-56.2	-60.2
Operating Surplus / Revenue Receipts (%)	-57.4%	-48.1%
RoCE (%)	-34.1%	-35.1%
Total Debt/ Corpus Funds (times)	-2.1	-1.9
Total Debt/ Operating Surplus (times)	-11.5	-13.0
Interest coverage (times)	-2.2	-2.3
NWC/ Revenue Receipts (%)	-36.6%	-32.0%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

[^] Provisional financials for FY2017

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore) ^{##}	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015	
					November 2017	-	-	-	
1	Term Loan	Long Term	221.00	156.63	[ICRA]BB+ (Stable)	-	-	-	
2	Overdraft	Long Term	42.00	8.22	[ICRA]BB+ (Stable)	-	-	-	
3	Bank Guarantee	Long Term	15.00	-	[ICRA]BB+ (Stable)	-	-	-	

^{##}As on March 31, 2017.

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Not applicable	Term Loan	June, 2016	-	June, 2031	221.00	[ICRA]BB+ (Stable)
Not applicable	Overdraft	June, 2016	-	-	42.00	[ICRA]BB+ (Stable)
Not applicable	Bank Guarantee	June, 2016	-	-	15.00	[ICRA]BB+ (Stable)

Source: DMERF

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About ICRA Limited:

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