

Christian Medical College Vellore Association

Instruments	Amount (Rs. Crore) ¹	Rating Action
Proposed long term facilities	350.00	[ICRA]AA (Stable) / assigned

ICRA has assigned a long term rating of [ICRA]AA (pronounced ICRA double A) for the Rs.350 crore proposed long term facilities of Christian Medical College Vellore Association (CMC association). The outlook on the long-term rating is stable.

The assigned rating draws comfort from the established presence of the CMC hospital for over 100 years and the strong brand equity built by the institution through its expertise in medicine. The CMC association derives 99% of its revenues from the hospital and the rest from educational institutions.

CMC hospital revenues come from in-patients (40%), pharmacy sales (30%) and the rest through outpatient consultations. The 2,990 bedded hospital network has revenues coming from 121 specialties and super-specialties. Being a charitable organization, CMC hospital provides free healthcare accounting for ~14% of its revenues. Being a not-for profit organization, CMC prices its services more affordably than other hospitals. The hospital has witnessed improvement in margins over the past two years following scaling up in occupancies and shorter Average Length of Stay (ALOS) which has enabled higher utilization levels and higher patient turnaround rates resulting in a healthy growth in Average Revenue per Operating Bed (ARPOB). Although medicines are offered at subsidized rates to patients, the pharmacy generates substantial margins supporting the overall profit margins of the association.

The medical college run by the CMC association – CMC Vellore is ranked among the best in the country; revenues from the medical college account for <1% revenues and are highly subsidized by the CMC association to encourage quality education in medicine.

The association has a healthy financial profile characterized by robust revenue growth (CAGR of 12% between FY2012 and FY2016), improving operating margins, low leverage and strong coverage indicators apart from adequate liquidity in the form of unutilized working capital limits and un-encumbered cash (Rs. 356 crore as on March 31, 2016). The association witnesses significant moderation in operating margins, with revision in employee salaries (upwards by ~30%), every four or five years. Further, increasing amount of free-work done by the institution every year also constrains operating margins.

CMC has embarked on the construction of a 1,500 bedded super-specialty hospital in Kannigapuram (14 kms from the main campus), Tamil Nadu at an estimated cost of Rs.966 crore, funded through a debt: equity mix of 1.1:1; the hospital is expected to be operational by February 2020. Sustenance of revenue growth and profit margins in the main hospital and timely completion of the new hospital without any cost or time over-runs would be the key sensitivities going forward. The association has historically funded all its requirements through internal accruals, however given the magnitude of the current project in Kannigapuram, the association is expected to take sizable debt. Nevertheless, given the brand name and patronage enjoyed by the hospital and the quality of medical care, ICRA expects a short gestation period for the new hospital; gearing is expected to peak at 0.3x in FY2021 during the implementation of this new hospital.

ICRA notes the positive demand outlook for healthcare services in India, due to improving affordability through increasing per capita income, widening medical insurance coverage and under-penetration of healthcare services.

Association Profile

Christian Medical College Association, a registered society, operates a tertiary care hospital (CMC hospital) and an educational and research institute in Vellore, Tamil Nadu. It was founded in 1900 by an American missionary Dr. Ida S. Scudder as a single bed hospital. CMC Hospital is now one of the most prominent and well known medical establishments in India with 121 specialized departments and 2,990 beds as on March 31, 2016. Apart from the main hospital in Vellore, the association run a 132 bedded hospital in Chittore, Andhra Pradesh. With more than 1000 seats, CMC educational institute is one of the top ranked medical institutes in

¹ 100 lakh = 1 crore = 10 million

India offering more than 110 medical courses including M.B.B.S. Apart from the medical college; CMC also runs a nursing college and a college for allied health sciences.

Around 50% of the patients visiting the hospital are from Tamil Nadu, while the rest are predominantly from the states of Andhra Pradesh and West Bengal. The hospital network served around 1,32,000 in-patients and over 25 lakh out-patients in FY2016.

The institute and hospital have been pioneers in the field of medicine and medical research with many significant achievements.

CMC carries out its outreach activities through a network of peripheral hospitals namely [1] Community Health and Development (140 beds), [2] Rural unit for health and Social Affairs (70 beds), [3] Low Cost Effective Care Centre (LCECC, 46 beds), [4] Shalom Family Medicine Centre, [5] Schell Eye Hospital(100 beds), the ophthalmology department of CMC which operates two km away from the hospital and [6] the Mental Health Care , which is the department of Psychiatry and operates seven kilometres away from the main campus, and [7] Nambikkai Nilayam and Rehabilitation Institute (83 beds)

CMC's council members includes 53 Indian Christian churches and Christian organizations, who run large number of hospitals, health centres and dispensaries in India, many of which are situated in remote rural areas.

Recent Results

CMC reported a net profit of Rs.102.1 crore on an operating income of Rs.932.5 crore in FY2016 as against a net profit of Rs.79.2 crore on an operating income of Rs.840.1 crore in FY2015.

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