

January 25, 2017

## Madras Medical Mission

Instrument*	Rated Amount (In Rs Crore)	Rating Action
Long term: Fund based facilities – CC	6.00	Upgraded from [ICRA]B to [ICRA]B+ (Stable)
Long term: Fund based facilities – TL	29.13 (revised from 18.88)	Upgraded from [ICRA]B to [ICRA]B+ (Stable)
Short term: Fund based facilities	43.00	Reaffirmed at [ICRA]A4
Short term: Non-fund based facilities	13.70 (revised from 20.25)	Reaffirmed at [ICRA]A4
<b>Total</b>	<b>91.83</b>	

\*Instrument Details are provided in Annexure-1

### Rating Action

ICRA has upgraded the long term rating from [ICRA]B (pronounced as ICRA B)1 to [ICRA]B+ (pronounced as ICRA B plus) for the Rs. 6.00 crore<sup>2</sup> cash credit facility and the Rs. 29.13 crore (revised from Rs 18.88 crore) term loan facilities of Madras Medical Mission (MMM). ICRA has reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs 43.00 crore short-term fund based facilities and the Rs 13.70 crore (revised from Rs 20.25 crore) short-term non-fund based facilities of MMM. The outlook on the long term rating is Stable.

### Rationale

The rating upgrade takes into account the healthy accretion to reserves over the past few fiscals aiding improvement in the capital structure following negative net worth till FY2014. The ratings also reflect MMM's longstanding presence in the healthcare sector with high reputation in Tamil Nadu, with strong technical capabilities backed by state-of-the-art equipment and quality professionals. However, the ratings continue to be constrained by thin margins due to concessions being extended to weaker section of the society as MMM falls under "not for profit organization" and also the high dependence of the profitability on donations. ICRA also takes note of the regular debt funded capital expenditure leading to large repayment obligations and heavy dependence on short term loans exposing MMM to refinancing risks. Further, the ratings take into consideration the significant competition in the healthcare sector and medical education which could add pressure in attracting and retaining faculty/doctors over the long term.

### Key rating drivers

#### Credit Strengths

- Established healthcare provider with high reputation in Tamil Nadu
- Superior technical capabilities backed by state-of-the-art equipment and experienced consultants
- Healthy demand growth expected for healthcare services
- Improvement in gearing levels due to positive accretion to reserves

#### Credit Weakness

- Concessions extended to patients on account of MMM being a "not for profit organization" impacts margins
- High dependence of margins on donations; any adverse change could have a significant effect on net margin
- Significant competition in the healthcare sector and medical education

### Description of key rating drivers highlighted above:

MMM has presence in both healthcare and medical education sectors with positive demand prospects from both. MMM's high reputation in Tamil Nadu as an established healthcare provider coupled with gradual rise in demand for its medical courses provides long term revenue visibility. The income from hospital has contributed around 75%-79% of the total revenue of the society over the years with remaining portion being contributed by the income from educational institution. Despite the significant challenge of attracting and retaining quality medical practitioners in the healthcare industry, MMM has been able to contain its attrition levels due to its



established reputation and maintaining its compensation levels at par with industry benchmarks. This coupled with treatments offered at concessional rates has put pressure on the margins over the last few years.

MMM's net worth had remained negative on account of the huge losses incurred during the period FY2002 to FY2008, especially on account of losses from the Pondicherry unit due to the high gestation period for the medical college hospital. However in FY2015 and FY2016 the capital structure turned favourable to aided by the positive accretion to reserves. The margins of the society are largely supported by the donations received from various corporate bodies. This renders the profitability and coverage indicators susceptible to any variations in the donations received.

**Analytical Approach:**

ICRA has taken into account the debt servicing track record of MMM, its business risk profile, financial risk drivers and management profile.

**Links to applicable Criteria:**

[Rating Methodology on Hospitals](#)

[Rating Methodology for Higher Education Sector](#)

**About the company:**

Madras Medical Mission (MMM/society) is a registered society established in 1982 by Bishop Zachariah Mar Dionysius, operating a tertiary care hospital at a prime location in Mogapair, Chennai, an educational institution offering medical courses in Pondicherry (PIMS) and a nursing college in Chennai. The society started its operations with a Cardiac Care unit in 1987 and expanded over the years to transform into a multi-speciality hospital. MMM's Chennai hospital is now well known for its specialised departments with patient centric service mission which includes the Institute of Cardio Vascular Diseases (ICVD), the Institute of Reproductive Medicine and Women's Health and the Institute of Gastroenterology and Liver Diseases and currently operates 292 beds. In 2000, the society established the educational institution - Pondicherry Institute of Medical Sciences, offering both undergraduate and postgraduate medical courses and the institute includes an associated teaching hospital operating 640 beds. The nursing college in Chennai was established in 2008 and offers both undergraduate and postgraduate courses in Nursing.

In FY2016, MMM achieved a net profit of Rs 7.3 crore on a total operating income of Rs 258.0 crore as compared to net profit of Rs 6.6 crore on a total operating income of Rs 227.4 crore during the previous financial year.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**
**Table: Rating History**

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month- year & Rating in FY2016	Month- year & Rating in FY2015	Month- year & Rating in FY2014	
				January 2017	December 2015	December 2014	October 2013	
1	Cash Credit	Long term	6.00	[ICRA]B+ (Stable)	[ICRA]B	[ICRA]B	[ICRA]D	
2	Term loan	Long term	29.13	[ICRA]B+ (Stable)	[ICRA]B	[ICRA]B	[ICRA]D	
2	Short term loan	Short term	43.00	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]D	
3	Bank guarantee	Short term	13.70	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]D	

**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](http://www.icra.in)

**Annexure-1**
**Details of Instrument**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Cash Credit	-	-	-	6.00	[ICRA]B+ (Stable)
<b>Term Loan :</b>					
Union Bank of India	-	-	March 31, 2017	1.77	[ICRA]B+ (Stable)
Union Bank of India	-	-	March 31, 2019	5.79	[ICRA]B+ (Stable)
Central Bank of India	-	-	March 31, 2018	1.06	[ICRA]B+ (Stable)
Union Bank of India	-	-	March 31, 2020	0.92	[ICRA]B+ (Stable)
Central Bank of India	-	-	March 31, 2020	0.72	[ICRA]B+ (Stable)
State Bank of Mysore	-	-	March 31, 2020	1.35	[ICRA]B+ (Stable)
South Indian Bank	-	-	March 31, 2020	3.29	[ICRA]B+ (Stable)
Union Bank of India	-	-	March 31, 2022	1.28	[ICRA]B+ (Stable)
Central Bank of India	-	-	March 31, 2022	0.46	[ICRA]B+ (Stable)
State Bank of Mysore	-	-	March 31, 2022	0.42	[ICRA]B+ (Stable)
South Indian Bank	-	-	March 31, 2022	7.47	[ICRA]B+ (Stable)
South Indian Bank	-	-	March 31, 2022	4.60	[ICRA]B+ (Stable)
<b>Total Term Loan</b>				<b>29.13</b>	
Short term loan	-	-	-	43.00	[ICRA]A4
Bank Guarantee	-	-	-	13.70	[ICRA]A4

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About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. For more information, visit [www.icra.in](http://www.icra.in)

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