

## Chitwan Medical College Limited

### Ratings

Facilities/Instruments	Amount (Rs. Million)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	2,477.03 (Increased from 1,905.09)	CARE-NP BBB- [Triple B Minus]	Reaffirmed
Short Term Bank Facilities	555.30 (Increased from 505.30)	CARE-NP A3 [A Three]	Reaffirmed
<b>Total Facilities</b>	<b>3,032.33</b> <b>(Increased from 2,410.39)</b>		

*Details of instruments/facilities in Annexure 1*

CARE Ratings Nepal Limited (CRNL) has reaffirmed the rating of 'CARE-NP BBB-' assigned to the long-term bank facilities and 'CARE-NP A3' assigned to the short-term bank facilities of Chitwan Medical College Limited (CMC).

### Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of CMC derives strength from its established track record of operations in healthcare & related education along with experienced promoters and management team and satisfactory financial performance during 10MFY25 (refers to the ten-month period ended mid-May 2025), moderately leveraged capital structure and improving debt coverage indicators over FY24-10MFY25. The ratings also take account of satisfactory infrastructure with diversification across various specialties and positive industry outlook of healthcare sector and satisfactory enrolment ratio of its education segment in academic year 2025 (AY2025) from revenue prospects of the company going forward.

The ratings, however, remain constrained by stabilization risk associated with its cancer specialty centre. The company's ability to achieve incremental cashflows from the recently concluded/on-going series of capital expenditures remains to be seen. The ratings also factor in the highly competitive nature of the industry, regulatory & reputational risk and volatile interest rates. This coupled with regular capital expenditure requirement for the hospital industry is likely to impact the leverage structure and debt coverage ratios over the near-term.

*Going forward, the ability of the company to sustain the enrolment ratios in different courses and maintain hospital occupancy ratio at envisaged levels leading to sustained growth in operations while maintaining profitability will be the key rating sensitivities. The company's ability to generate cash flows as envisaged from its cancer speciality centre would also be key rating sensitivity. Substantial outflow of dividend leading to material deviation in capital structure than expected shall also remain a monitorable aspect.*

### Detailed Description of the Key Rating Drivers

#### Key Rating Strength

#### Established track record of operations and experienced directors in the related field

CMC was founded by group of doctors in 2006 and has operational track record of more than one and half decade. Dr. Harish Chandra Neupane, Chairman, has over two decades of experience in the field of medicine and education. He is also the founder of Shekhar Hospital Private Limited, a 100 beds hospital at Lucknow. Dr. Daya Ram Lamsal, Director, has been involved with CMC since its inception. Overall hospital operation is being led by Dr. Lamsal and college operation by Director Dr. Gopendra Prasad Deo. The company has 877 medical and non-medical staff members and 133 faculty staff in education division as on June end 2025. Long track record of operations along with experienced board and management

<sup>1</sup>Complete definition of the ratings assigned are available at <https://www.careratingsnepal.com/> and other CARE publications

team enhances CMC's ability to run the business efficiently while addressing the inherent business risk associated with hospital operations.

### **Satisfactory financial performance**

Total Operating Income (TOI) of CMC had increased to Rs. 2,031 Mn during 10MFY25 (FY24: Rs. 1,974 Mn) mainly on account of increase in footfall of both inpatient and outpatient admissions coupled with the recontination of Swastha Beema Program from July 16, 2024 and improving operations of the cancer specialty centre. Owing to increase in TOI, CMC reported PBILDT of Rs. 601 Mn during 10MFY25 (FY24: Rs. 593 Mn). PBILDT margin of the company remained at similar level of FY24 to 30% in 10MFY25 (FY23: 25%). The improvement in the PBILDT margin during FY24 and 10MFY25 is mainly due to rationalization of the fixed cost on account of the cancer specialist being added during FY23 with the increase in footfalls in both inpatient and outpatient. Increased in the scale of operations related to hospital coupled with the new centre established for oncology led to increase in PAT to Rs. 140 Mn during 10MFY25 (FY24: Rs. 132 Mn). PAT margin of the company stood 7% during 10MFY25, at similar level of FY24. The company has reported the Gross Cash Accruals (GCA) of Rs. 366 Mn during 10MFY25 (FY24: Rs. 367 Mn). Rebound in financial performance coupled with recontination of the Swastha Beema Program, is likely to boost the financial performance of CMC going forward.

### **Moderate capital structure and debt coverage indicators**

The overall gearing ratio of the company has improved to 1.76x during 10MFY25 (FY24: 1.85x). Total debt of the company increased to Rs. 2,262 Mn at the end of 10MFY25 (FY24: Rs. 2,110 Mn) due to its debt funded capital expenditure (capex) for expansions of civil works of college and hospital building and additions of machinery. The debt level is expected to increase as the company has planned further capex which is proposed to be funded through mix of debt and equity, however will be moderated to some extent due to scheduled repayments of the existing borrowings. The tangible net worth of the company increased to Rs. 1,313 Mn at the end of 10MFY25 (FY24: Rs. 1,163 Mn) supported by the accretion of profit during the period. Interest coverage ratio of the company improved to 3.62x during 10MFY25 (FY24: 3.40x) on account of increased profitability. Additionally, total debt to GCA also improved to 5.26x at the end of 10MFY25 (FY24: 5.87x).

### **Satisfactory infrastructure with diversified revenue stream**

CMC has been providing wide range of health services to the patients from its hospital located in Chitwan district. The hospital is multi-specialty hospital offering medical facilities in various medical & surgical fields. The numerous eminent doctors in the city are associated with CMC on account of its high inflow of patients and satisfactory infrastructure. This, in turn, helps the hospital to achieve satisfactory occupancy. The hospital is a multi-specialty hospital offering medical facilities in various medical & surgical fields with total bed capacity of 750 beds (operational 537 beds). CMC has been providing the specialty services like Dentistry, Forensic Medicine, Ophthalmology, Oral & Maxillofacial Surgery, Pathology, Orthodontics, Pedodontics, Radio Diagnosis, Surgery, Oncology, etc. and has critical care services in terms of ICU (Intensive Care Unit), NICU (Neonatal Intensive Care Unit) and PICU (Pediatric Intensive Care Unit).

CMC generates revenues from hospital and education segment where it offers 13 different courses including MBBS and MD affiliated with Tribhuvan University. Another stream of revenue also includes rental income from hospital premises. CMC earned ~56% of the total operating income from hospital operations, followed by ~38% from medical college during FY24.

### **Satisfactory enrolment ratio**

CMC offers education in healthcare with various programs under the affiliation of Tribhuvan University. It offers courses in significantly diverse domains like Bachelor in Nursing (BN), Bachelor of Science in Nursing (BSc), Bachelor of Medicine and Bachelor of Surgery (MBBS), Bachelor of Dental Surgery (BDS) and several other bachelor level programs. Furthermore, CMC also runs postgraduate programs and fellowship programs. The enrolment ratio is satisfactory at 88% during AY25 with major courses such as MBBS, BDS and BSc Nursing fully enrolled in AY25. With education segment contributing around ~38% of total operating income during FY24, it is critical for the company to maintain its enrolment ratio for growth prospective.

### **Growing demand of healthcare services in Nepal**

Healthcare has become one of Nepal's largest sectors both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Nepalese healthcare sector is growing at a good pace due to its strengthening coverage, services and increasing expenditure by public as well private players. Rising income level, greater health awareness, increased precedence of lifestyle diseases and improved access to insurance would be the key contributors to growth. With most people preferring private health care, private hospitals such as CMC has great opportunity to attract patients and increase the patient base.

### **Key Rating Weaknesses**

#### **Operations stabilization risk associated with cancer specialty centre and other recently concluded/planned capex**

CMC had completed its capex for setting up cancer specialty centre (oncology project). The commercial operations of the oncology centre started on January 30, 2023. The cost incurred for the capex was Rs. 1,121 Mn financed in debt equity ratio of 70:30. The ability of the company to generate sufficient cash flows from cancer specialty centre by ramping up the operations remains to be seen. Also, as the capex is ongoing for the electronic equipment's and the civil works for hospital and college proposed to be financed in debt equity mix; the ability of the company to achieve incremental cashflows from the on-going capex remains to be seen.

#### **Regulatory framework for both healthcare & educational sector in Nepal**

Despite, the increasing trend of privatization of education and healthcare sector in Nepal, both the sectors continue to operate under stringent regulatory control. Accordingly, the players, at times, find difficult to realize their plans or cope with the regulatory framework. Hence, regulatory challenges continue to pose a significant risk to private healthcare & educational institutions as they are highly susceptible to changes in regulatory framework.

#### **Reputation risk**

Healthcare is a highly sensitive sector where any mishandling of a case or negligence on the part of any doctor and/or staff of the unit can lead to distrust among the masses. Thus, all the healthcare providers need to monitor each case diligently and maintain high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent.

### Highly competitive nature of the industry coupled with challenges of attracting and retaining quality doctors and medical professionals

The company operates in a highly competitive industry. There are various organized and unorganized players in the market. It faces stiff competition from other hospitals and private clinics in the area. Thus, differentiating factors like range of services offered, quality of service, pedigree of doctors, success rate in the treatment of complex cases, word of mouth etc. are crucial in order to attract patients and increase occupancy levels. Moreover, the hospital has to remain very careful with its operations and has to follow various regulations imposed by the government. Furthermore, with the increasing competition due to mushrooming of private clinics / small hospital in the region, the retention of the trained medical staff seems to be an area of concern for the company. Going forward, retention of trained medical staff would be critical for the company to profitably scale up its operations.

### Exposure to volatile interest rate

CMC's interest expenses are based on a floating interest rate regime, where a certain premium is added to the monthly base rate and interest rate is changed accordingly on monthly basis. The base rates of the banks and financial institutions (BFIs) in Nepal remain quite volatile as they are impacted by available liquidity in the system, which leads to changes in interest rates. Higher interest rates than envisaged could result in squeezed margins of the company, impacting its liquidity position although the near-term prospects remain favorable amid declining trend observed in the BFI's base rates over the last quarter or so.

### About the Company

Chitwan Medical College Private Limited is a private company established by the group of doctors in Chitwan District in 2006 and later converted to public limited on January 25, 2024. The hospital offers wide range of services with advanced diagnostic facilities in various specialty segments and runs a medical college with various programs under the affiliation of Tribhuvan University and is ISO 9001:2015 certified company for providing medical education.

### Financial performance

(Rs. Million)

Particulars	FY22 (A)	FY23 (A)	FY24 (A)	10MFY25 (UA)
Income from operations	2,079	1,698	1,974	2,031
PBILD margin (%)	33.29	25.36	30.04	29.58
Overall gearing (times)	1.48	1.79	1.85	1.76
Interest Coverage ratio (times)	6.15	2.54	3.40	3.62
Total Debt/ Gross Cash Accruals (times)	3.78	7.35	5.87	5.26

A: Audited; UA: Unaudited

### Annexure 1: Details of the Facilities Rated

Nature of the Facility	Type of the Facility	Amount (Rs. Million)	Ratings
Long Term Bank Facilities	Term Loan (including hire purchase loan)	2,477.03	CARE-NP BBB-
Short Term Bank Facilities	Fund Based	255.00	CARE-NP A3
Short Term Bank Facilities	Non-Fund Based	300.30	CARE-NP A3
<b>Total Facilities</b>		<b>3,032.33</b>	

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