

PRESS RELEASE

ASHWINS MEDICAL COLLEGE & HOSPITAL PRIVATE LIMITED

July 2024

Ratings

Instrument/Facilities	Amount (NPR. Mn)	Ratings	Rating Action
Long Term Bank Facilities	4,742.44	IRN B+	Assigned
Short Term Bank Facilities	40.00	IRN A4	Assigned
Long Term/Short Term Bank Facilities	60.03	IRN B+/A4	Assigned
TOTAL	4,842.47		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN B+ (Single B plus) to the long-term bank facilities of NPR 4,742.44 Mn, the rating of IRN A4 (A Four) to the short-term bank facilities of NPR 40.00 Mn and IRN B+ (Single B plus) /A4 (A Four) to the long term/short term bank facilities of NPR 60.03 Mn.

Detailed Rationale

The ratings assigned to Ashwins Medical College & Hospital Private Limited (AMCHPL) (Known as "Mediciti Hospital") are constrained by highly leveraged capital structure coupled with relatively moderate revenue expectation which could pressurize its cash flows and debt servicing ability. These concerns are further exacerbated by the increased competitive intensity in the healthcare sector caused by the presence of multiple established hospitals in the city. The ability to source and retain quality medical professionals also remains a challenge for the sector.

The ratings, however, draw comfort from the experienced background of the company's promoters i.e., Mahato group, which has a long presence in Nepalese industry supported by a proficient management team leading to the better understanding of the market dynamics. Additionally, the ratings also draw comfort from the company's improving trends in revenue and its healthy margins. Going forward, the company's ability to attain adequate revenue and maintain profitability margins, manage its working capital levels and improve the capitalisation/coverage indicators would remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong promoter profile and experienced management

AMCHPL, established in 2007, exhibit a good operational track record. Backed by the Mahato Group, a pioneer in foreign investments in Nepal across sectors such as hydropower, infrastructure, and healthcare, the company has established substantial market traction. The experienced management team at AMCHPL enhances its understanding of market dynamics, further supporting its operational success.

Healthy operational profile

AMCHPL derives ~100% of its income from core hospital operations (including pharmacy). The company reported healthy revenue growth over the years at a CAGR of ~11% in the last four fiscals ended mid-July 2023. EBITDA margin also shown a significant improvement, from ~9% in FY19 to ~30% in FY23, indicating enhanced operational efficiency and profitability. For 9MFY24, the total income stands at NPR 2,028 Mn with an EBITDA margin of ~28%, suggesting a strong continuation of this growth trajectory. This sustained financial performance highlights the company's ability to

effectively manage costs and drive revenue growth. AMCHPL benefits from its strategic location in the city, excellent infrastructure, and the high population density of the Kathmandu Valley, all of which contribute positively to its revenue growth prospects.

Key Rating Weaknesses

Highly leveraged capital structure along with modest debt service coverage indicators of the company

The company maintains a highly leveraged capital structure, as evidenced by a gearing ratio of 7.31x at the end of FY23 (6.52x at the end of 9MFY24), despite a capital injection of NPR 2.6 billion in FY23. Interest coverage ratio (ICR) deteriorated to 1.80x in FY23 as against 2.05x in FY22 (1.84x in 9MFY24), the debt service coverage ratio (DSCR) remains stressed at 0.98x in FY23 (0.79x in 9MFY24), reflecting ongoing challenges in covering debt obligations. The total debt to EBITDA ratio improved gradually over the years, albeit remained elevated at 8.51x in 9MFY24. These indicators highlight the need for continued focus on improving financial stability and debt servicing capacity.

Intense competition coupled with consultant retention challenges

AMCHPL faces intense competition from large and established multi-specialty hospitals in the Kathmandu Valley, including new entrants like Grande, Vayodha, and HAMS, as well as established players like Norvic. The increased capacity of numerous private players has further intensified this competition. Improving occupancy levels, which have decreased to ~48% in 9MFY24 from ~54% in FY23 (~67% in FY22), will depend heavily on the hospital's ability to attract and retain senior consultants. This remains a critical challenge given the heightened competition in the healthcare sector.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

Incorporated in 2007, Ashwins Medical College & Hospital Privat Limited (AMCHPL) is a 300-bed, multi-specialty healthcare facility that offers a wide range of medical, surgical and diagnostic services. The Bhaishepati, Lalitpur-based hospital encompasses a total built-up area of 550,000 square feet. The hospital is situated on a land area of 58 ropanis, which expands to 112 ropanis when including the parking facilities. The company is promoted by Mahato group. Currently, Dr. Upendra Mahato is the company's chairman and Dr. Surendra Mahato is the director.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	H1FY24
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	2,265	2,791	2,834	2,028
EBITDA Margin (%)	22.37	26.70	29.97	27.79
Interest Coverage Ratio (x)	1.22	2.05	1.80	1.84
Current Ratio (x)	0.89	0.58	0.73	0.75
Total Debt/GCA (years)	107.16	22.51	14.66	18.65
DSCR (x)	1.28	1.98	0.98	0.79
Overall Gearing Ratio (x)	Negative	Negative	7.31	6.52

*Classification as per Infomerics Nepal standards

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn.)	Ratings
Long Term Bank Facilities	Long Term	4,742.44	IRN B+
Short Term Bank Facilities- Working Capital Loan	Short Term	40.00	IRN A4
Long Term/Short Term Loan Facilities- LC/BG ¹	Long Term/ Short Term	60.03	IRN B+/A4
Total Facilities		4,842.47	

¹ Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:

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