PRESS RELEASE

GREEN HILL CITY PRIVATE LIMITED

March 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	690.00	IRN B	Assigned
Short Term Bank Facilities	25.00*	IRN A4	Assigned
Total	**690.00**		

**Short Term Loan is within Long Term Loan*
Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned rating of IRN B (Single B) to the long term bank facilities of NPR 690.00 Mn and rating of IRN A4 (A Four) to the short term bank facilities of NPR 25.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Green Hill City Private Limited (GHC) derive strength from its experienced promoter group with long track record of experience, strategic location of the project and the long term demand for housing in urban areas.

These rating strengths are however constrained by modest revenue profile and leveraged capital structure, project implementation and salability risk. The ratings also note the intense market competition and exposure to cyclicality and seasonality associated with real estate industry.

Going forward, the ability of company to generate sales by timely tracing the customer and growth of the market will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter and long track of operation

GHC is led by Mr. Bhesh Raj Lohani, Chairman, who possess more than two decades of experience in real estate industry. Mr. Lohani is also the chairman of Nepal Housing and Land Federation and has also promoted agro business and financial institutions. GHC, with long track record of operation since 2011, successfully completed projects like GHC Rose Village, GHC Dhumbarahi and GHC Imadole. Furthermore, Mr. Lohani is aptly supported by experienced management team.

Favorable location of the commercial property

All the projects (completed/ongoing/upcoming) of GHC is located within Kathmandu Valley. Though it derives geographical concentration risk, Kathmandu being the capital city of Nepal, provides strategic benefit to the company. Kathmandu valley is well facilitated in terms of health care, education, jobs and so on, which supports in increasing the demand of houses.

Demand for housing in urban areas

Though market slow down resulted into decrement in demand of houses, in the long run the demand for housing remains stable, especially in urban cities. Real estate is considered as a passive source of income and a good and safest investment for long term leading to stable demand.

Key Rating Weaknesses

Project implementation risk and salability risk

GHC is currently developing the project GHC Mulpani (95% completed) which was divided into 5 stages. As of mid-Feb 2025, 652 plots have been sold, out of 800 plots; 600 families have already resided in 600 houses that has been constructed. 10 plots still remain in stock as of mid-Feb 2025

(on the name of GHC). Though GHC traced potential customers, the deal has not yet been finalized, hence, salability risk continues to remain. GHC is working on joint venture with Gaurab Developers Company Private Limited in Sipadol, Bhaktapur, where company plans to construct 145 houses. Hence, the project implementation risk still remains.

Low revenue profile and leveraged capital structure

The compound annual growth rate of total operating income of GHC during last 7 fiscal years (FY17 to FY23) is 22.27%. The total operating income however decreased to NPR 71 Mn in FY23 and nil in FY24, given the economic slow-down and liquidity crunch. The total operating income increased to NPR 36 Mn in 6MFY25. Hence, EBITDA margin also decreased to 0.91% in FY23 from nil in FY24. However, PBT margin and PAT margin increased to 5.79% and 2.74% in FY23 from 0.46% and 0.25% in FY22, which however declined to neg in FY24 with improvement in 6MFY25, mainly attributable to interest capitalization and non-operational income. The Gross Cash Accrual of GHC stood low at NPR 7 Mn in FY23 which declined to neg in FY24 and reached NPR 60 Mn in 6MFY25.The overall gearing ratio of GHC increased to 3.99x in FY24 from 1.99x in FY23 with increment in long term debt. Total Debt/GCA increased to 69.13x in FY23 from 42.39 in FY22, which reached neg in FY24. Furthermore, DSCR is expected to decrease in coming years.

Exposure to intense market competition constraining scalability

The real estate industry is highly fragmented in nature with the presence of a large number of organized and unorganized players spread across various regions. There are already well-established players in the market coming with projects at affordable prices, thereby giving competition to GHC. Hence improvement in scale amid higher project flow will remain a key rating factor.

Cyclicality and seasonality associated with real estate industry and exposure to local demand-supply dynamic

The company is exposed to the real estate sector's cyclicality, which is directly linked with the present macro-economic environment, interest rates and disposable income with individuals. The cyclical nature of the real estate sector may have a substantial impact on the company's operations and profit margins.

Analytical Approach: Standalone

Applicable Criteria:

Corporate Credit Rating Methodology

About the Company:

Green Hill City Private Limited (GHC) is a housing company having registered address in Thapathali, Kathmandu, Nepal. The company is led by Mr. Bhesh Raj Lohani, Chairman of Nepal Housing and Land Federation Association. GHC has already completed 3 projects, namely GHC Rose Village, GHC Dhumbarahi and GHC Imadole. The paid up capital of GHC as of July 15, 2024 is NPR 180 Mn and tangible net worth is NPR 187 Mn.

Financial Indicators (Consolidated)

For the year ended* As on	FY23	FY24	6MFY25
	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	71	-	36
EBITDA Margin (%)	0.91	-	Neg
Interest Coverage Ratio (x)	-	-	Neg
Total Debt/ EBITDA (x)	695.33	Neg	Neg
Current Ratio (x)	1.23	2.48	3.89
Overall Gearing Ratio (x)	1.99	3.39	2.10

**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-Fund Based	Long Term	500.00	IRN B
Long Term Bank Facilities-Fund Based (Proposed)	Long Term	113.43	IRN B
Short Term Bank Facilities- Fund Based	Short Term	25.00*	IRN A4
Total Facilities		**690.00**	

**Within Long Term Loan*

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About Infomerics Credit Rating Nepal Limited:

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