

PRESS RELEASE

INTERNATIONAL SOCIETY FOR MEDICAL EDUCATION PRIVATE LIMITED

May 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	214.30	IRN BB	Assigned
Short Term Bank Facilities	944.49	IRN A4	Assigned
Total	1,158.79		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB [Double B] to long term bank facilities of NPR 214.30 Mn and IRN A4 [A Four] to short term bank facilities of NPR 944.49 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of International Society for Medical Education Private Limited (ISME) [operating as College of Medical Sciences (CMS)] factor in the company's long operational track record of over two decades, supported by an experienced promoter group and established management team. The ratings also consider the steady improvement in the company's scale over FY21-FY25, reflected in a revenue growth of CAGR of ~5%, driven by stable patient footfalls across OPD and IPD segments, albeit with some moderation in FY25 amid intensifying competition. Further, the ratings derive comfort from the favourable demand outlook for the healthcare and medical education sectors, supported by increasing health awareness, rising insurance penetration, and growing preference for organized healthcare services.

Nonetheless, the ratings remain constrained by ISME's moderate capitalisation profile, as reflected in an overall gearing of 2.46x as of mid-March 2026. While a marginal improvement is expected, supported by incremental profit generation, the company remains exposed to asset-liability and cash flow mismatches, given the upfront nature of course fee collections. The ratings are further tempered by inherent competition in the hospital segment and the sector's exposure to regulatory uncertainties. Going forward, ISME's ability to sustain its revenue trajectory and occupancy levels, while maintaining/improving its coverage indicators and capitalisation profile, will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team

ISME is promoted and governed by a board comprising experienced medical professionals and business personnel, providing adequate support to its operational and governance framework. The institution is led by Mr. Nagendar K. Pampati, Chairman, who provides administrative oversight and strategic direction, alongside Dr. V. Natraj Prasad contributing to the academic and healthcare domains. The promoters' experience has supported the establishment of CMS as a recognized medical education and healthcare provider in Nepal, with an annual student intake of over 3,000 across various programs.

Stable operating performance with moderate growth in scale

ISME has demonstrated a steady improvement in scale over FY21-FY25, with TOI increasing to NPR 1,622 Mn (CAGR ~5%), albeit with some moderation in FY25. The operating profile remained stable, as reflected in revenue of NPR 1,062 Mn and operating margin of 11.59% in 8MFY26. Profitability

indicators also remained largely steady, with PAT margin at 2.58% in FY25 and GCA improving to NPR 109 Mn, supporting internal accruals.

Favourable industry outlook

The healthcare industry outlook remains favourable, supported by improving affordability due to rising per capita income and increasing penetration of medical insurance, growing awareness and demand for quality healthcare services, technological advancements enabling early diagnosis and improved treatment outcomes, and a higher incidence of lifestyle-related diseases. These factors are expected to sustain demand for organized healthcare services over the medium to long term. Similarly, the increase in MBBS seat capacity (from 100 seats to 130 seats) from AY26 is expected to support revenue growth going forward.

Key Rating Weaknesses

Leveraged capital structure with improving debt coverage indicators

ISME's capital structure continues to remain leveraged, albeit with a gradual improvement in key leverage indicators, supported by accretion to reserves and a strengthening net worth base. The overall gearing improved to 2.46x as of mid-March 2026 from 2.75x as of mid-July 2025, while TOL/TNW moderated to 5.69x in 8MFY26 from 6.06x in FY25. Debt coverage indicators have also exhibited a positive trajectory, albeit remaining at moderate levels, with the interest coverage ratio improving to 2.44x in FY25 from 2.06x in FY24 and DSCR increasing to 1.50x in FY25 from 1.41x in FY24. The improvement in coverage metrics is primarily attributable to relatively lower finance costs, which has supported the company's overall debt servicing ability.

Intense competition and cashflow timing mismatch

The healthcare sector in Nepal is characterized by intense competition among numerous established medical colleges and factors such as the quality of care, reputation, and accessibility influence patient preferences. Infrastructure upgradation by Government hospitals in recent years has made them more competitive, posing pricing pressure on private medical college/hospitals. With fees collected towards the start of an academic year, a sizeable portion of advance fee receipts from students remain in its books. Given the absence of policy guidance for the timeline and purpose of utilization of advances, the possibility of the funds being used for capital expenditures remains high which could lead to cash flow timing mismatch.

Uncertain regulatory environment for medical education in Nepal

Regulatory challenges pose significant risks for medical education in Nepal, including limited flexibility in fee determination and seat allocation (especially for MBBS course). While 10% of MBBS seats are allocated for scholarships (20% if foreign management), fees for the national seat quota are set by the Medical Education Commission, which has not been revised for the last three years. However, the company has some flexibility in determining fees for the foreign seat quota, wherein the occupancy has remained healthy. ISME's ability to maintain healthy enrolment/occupancy of students across its major courses will continue to determine its long-term financial profile. However, the increment in seat allocation (130 MBBS seats for this academic year as compared to 100 seats till last academic year) is expected to have a positive impact on ISME's revenue profile in FY26 in the form of increased admission fees and on a gradual basis over the next few years in the form of tuition fees from new batches.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

The International Society for Medical Education Private Limited (ISME) established the College of Medical Sciences (CMS) in July 1999 at Bharatpur, Chitwan, offering integrated medical education

and healthcare services. The institution operates under ISME and is affiliated with Kathmandu University, with recognition from various medical councils and international directories. CMS provides undergraduate and postgraduate programs including MBBS, BDS, nursing, and allied health sciences. The college is supported by a ~500-bedded tertiary care teaching hospital equipped with ICU and OT facilities. Mr. Nagender Kishan Pampati (60.00%) and Dr. Natraj Prasad Vittalam (40.00%) are shareholders of the company.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	8MFY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	1,594	1,750	1,622	1,062
EBITDA Margin (%)	11.39	12.98	12.90	11.59
Interest Coverage Ratio (x)	1.94	2.06	2.44	2.44
Overall Gearing Ratio (x)	3.32	2.50	2.75	2.46
TOL/TNW (x)	8.24	7.40	6.06	5.69
Current Ratio (x)	0.85	0.50	0.53	0.56

*Classification as per Infomerics Nepal standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Total Outside Liabilities/Tangible Net Worth (TOL/TNW)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	214.30	IRN BB
Fund Based Bank Facilities- Working Capital Loan	Short Term	624.49	IRN A4
Non-Fund Based Bank Facilities- Letter of Credit	Short Term	320.00	IRN A4
Total Facilities		1,158.79	

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About Infomerics Credit Rating Nepal Limited:

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