

Kathmandu Medical College Public Limited: Ratings downgraded and moved to ‘Issuer Not Cooperating’ category with notice for ratings withdrawal

November 6, 2023

Summary of rating action

Facility	Rated Amount (NPR million)	Rating Action
Long-term loan limits	1,600	[ICRANP] LBB- “ ISSUER NOT COOPERATING* ”; downgraded from [ICRANP] LBB and moved to Issuer not cooperating category, with notice of withdrawal.
Short-term loan limits	500	[ICRANP] A4 “ ISSUER NOT COOPERATING* ”; revised from [ICRANP] A4 and moved to Issuer not cooperating category, with notice of withdrawal.
Total	2,100	

**Issuer did not cooperate fully/timely; based on limited available information.*

Rating action

ICRA Nepal has downgraded and revised the long-term rating assigned to Kathmandu Medical College Public Limited (KMC) to [ICRANP] LBB- “Issuer Not Cooperating” (pronounced ICRA NP L double B minus, Issuer Not Cooperating) from [ICRANP] LBB (pronounced ICRA NP L double B). ICRA Nepal has also revised the company’s short-term loan rating to [ICRANP] A4 “Issuer Not Cooperating” pronounced (ICRA NP A four, Issuer Not Cooperating) from [ICRANP] A4 (pronounced ICRA NP A four). The rating action has been taken in accordance with the Credit Rating Regulations 2011, following limited cooperation from KMC for rating information despite multiple follow-ups. The ratings have also been put on notice for withdrawal.

Rationale

The ratings revision mainly factors in the uncertainties regarding the company’s financial profile, amid the lack of information about KMC’s performance and hence the resultant concerns around its credit risk. These concerns are heightened following the inflated borrowing rates in recent quarters and the company’s aggressive expansion strategy and weakening financial profile. The ongoing economic slowdown is likely to have impacted KMC’s operational and financial indicators. However, in lack of any information from KMC, the extent of the impact on the company’s financial profile and debt coverage indicators could not be ascertained.

ICRA Nepal assesses whether the information available about the entity is commensurate with its rating and reviews the same as per Credit Rating Regulations 2011 as well as ICRA Nepal’s ‘Withdrawal/Suspension Policy’ available at www.icranepal.com.

As part of its process and in accordance with its rating agreement with KMC, ICRA Nepal has been trying to seek comprehensive information from the entity to monitor its performance, but despite repeated requests by ICRA Nepal, the entity’s management remained largely non-cooperative till the extended deadline for surveillance. In the absence of requisite information on a timely manner and in line with the aforesaid policy of ICRA Nepal, a rating view has been taken on the entity based on the best available information.

For such ratings, the lenders, investors, and other market participants are advised to exercise appropriate caution while using the ratings as the same may not adequately reflect the credit risk profile of the entity. The entity's credit risk profile may have changed to a level greater than that represented by the rating symbol.

Link to the previous detailed rating rationale

[Rationale Kathmandu Medical College Public Limited_BLR_Surv_April-2022](#)

Analytical approach: For arriving at the ratings, ICRA Nepal has applied its rating methodology as indicated below.

Links to applicable criteria

[Corporate Credit Rating Methodology](#)

About the company

Kathmandu Medical College Public Limited (KMC), established in 2009, is a medical college and teaching hospital located in Sinamangal, Kathmandu. The medical college is affiliated to Kathmandu University and offers medical and paramedical courses such as DM/MCH, MD/MS, MBBS, BDS, BSC Nursing, etc. As a part of requirement for operating the medical college, the company also runs a 750-bed teaching hospital in Sinamangal and has extended its day-care services in Duwakot, Bhaktapur.

Key financial indicators (Group²) (as available during the last rating exercise)

	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)
Operating income-OI (NPR million)	1,400	1,452	1,344	1,134
OPBDITA/OI (%)	22%	18%	16%	14%
Total debt/Tangible net-worth-TNW (times)	0.3	0.4	0.8	1.8
Total outside liabilities/ TNW (times)	1.6	1.7	1.9	3.1
Total debt/OPBDITA (times)	0.7	1.1	2.5	7.8
Interest coverage (times)	9.2	7.8	5.4	2.6
DSCR (times)	5.5	6.3	5.1	2.2
Current ratio (times)	0.1	0.2	0.3	0.4

Source: Company data

² Group includes Advanced Imaging Diagnostic Center, KMC Investment Private Limited and KMC Pharmacy till FY2021; KDMS was established after end-FY2021.

Annexure-1: Instrument details

Instrument (Amount in NPR million)	Rated limits	Rating action
Long-term loan limits (A)	1,600	[ICRANP] LBB- “ISSUER NOT COOPERATING”; downgraded from [ICRANP] LBB and moved to Issuer not cooperating category, with notice of withdrawal.
Fund-based limits (Term loans)	1,600	
Short-term loan limits (B)	500	[ICRANP] A4 “ISSUER NOT COOPERATING”; revised from [ICRANP] A4 and moved to Issuer not cooperating category, with notice of withdrawal.
Fund-based (Overdraft)	150	
Fund-based (Import loan - within term loan)	(950)	
Fund-based (Bridge gap loan - within term loan)	(250)	
Fund-based (Import loan - within term loan)	(350)	
Non-fund-based (Letter of Credit - LC)	350	
Non-fund-based (LC - within term loan)	(950)	
Non-fund-based (Customer acceptance - within LC)	(1,300)	
Grand total (A+B)	2,100	

Analyst Contacts:

Mr. Sailesh Subedi (Tel No. +977-1-4419910/20)

sailesh@icranepal.com

Mr. Utshav Bikram Malla (Tel No. +977-1-4419910/20)

utshav.malla@icranepal.com

Relationship Contacts:

Ms. Barsha Shrestha (Tel No. +977-1-4419910/20)

barsha@icranepal.com

About ICRA Nepal Limited:

ICRA Nepal Limited, the first credit rating agency of Nepal, is a subsidiary of ICRA Limited (ICRA) of India. It was licenced by the Securities Board of Nepal (SEBON) on October 3, 2012. ICRA Nepal is supported by ICRA Limited through a technical support services agreement, which envisages ICRA helping ICRA Nepal in areas such as rating process and methodologies, analytical software, research, training, and technical and analytical skill augmentation.

Our parent company, 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.

For more information, visit www.icranepal.com



ICRA Nepal Limited,

Sunrise Bizz Park, 6th Floor, Dillibazar, Kathmandu, Nepal.

Phone: +977 1 4419910/20

Email: info@icranepal.com

Web: www.icranepal.com

All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA Nepal.

ICRA Nepal ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. The ICRA Nepal ratings are subject to a process of surveillance which may lead to a revision in ratings. Please visit our website (www.icranepal.com) or contact ICRA Nepal office for the latest information on ICRA Nepal ratings outstanding. All information contained herein has been obtained by ICRA Nepal from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Nepal in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion and ICRA Nepal shall not be liable for any losses incurred by users from any use of this publication or its contents