

Kathmandu International Hospital Private Limited: Ratings downgraded and moved to 'Issuer Not Cooperating' category with notice for ratings withdrawal

January 03, 2024

Summary of rating action

Instrument	Rated Amount (NPR million)	Rating Action
Long-term loan limits	5,562	[ICRANP] LC+ " ISSUER NOT COOPERATING* "; downgraded from [ICRANP] LB- and moved to Issuer not cooperating category, with notice of withdrawal
Short-term loan limits	75	[ICRANP] A4 " ISSUER NOT COOPERATING* "; revised from [ICRANP] A4 and moved to Issuer not cooperating category with notice of withdrawal
Total	5,637	

**Issuer did not cooperate timely; based on best available information.*

Rating action

ICRA Nepal has downgraded and revised the long-term loan rating of Kathmandu International Hospital Private Limited (KIH) to **[ICRANP] LC+ 'Issuer Not Cooperating'** (pronounced ICRA NP L C Plus, Issuer Not Cooperating) from **[ICRANP] LB-** (pronounced ICRA NP L B minus). 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 KIH for rating information despite multiple follow-ups. The ratings have also been put on notice for withdrawal.

Rationale

The ratings downgrade/revision mainly factors in the uncertainties regarding the company's financial profile, amid the lack of information about incremental physical and financial progress in KIH's proposed under construction hospital project, and hence the resultant concerns around its credit risk. These concerns are further heightened by the probability of time and cost overrun as seen in most infra projects. Any funding gap due to this, along with the inflated borrowing rates during the last 12-15 months could have impacted the company's financial profile, while the debt coverage metrics could have further deteriorated when compared to last rating exercise. However, in lack of any information from KIH, the exact 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 a part of its process and in accordance with its rating agreement with KIH, 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 the 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 it 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 International Hospital Private Limited BLR Surveillance June-2022](#)

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

Links to the applicable criteria:

[Corporate Credit Rating Methodology](#)

[Issuer not cooperating guidelines](#)

About the company

Incorporated in February 2021, Kathmandu International Hospital Private Limited is a SPV for construction of proposed multi-specialty hospital in Tinkune, Kathmandu. When last rated, the project was in its nascent stages of development, with the land acquisition almost completed and construction started from February 2022 with targets to complete by mid-July 2024. During the last rating exercise, the company was promoted by experienced medical sector professionals, with most of them being affiliated with Chitwan Medical College Private Limited, which has an operational track record of >15 years. The proposed multi-specialty hospital was proposed to have a capacity of 300 beds, with the first 100 beds proposed to start operation from the first year, 200 beds in the second year and 300 beds in the third year onwards.

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About ICRA Nepal Limited:

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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.

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