

Maulakali Cablecar Limited¹: [ICRANP-IR] BB- assigned; long term and short-term rating reaffirmed

July 01, 2024

Summary of rating action

Facility/Instrument* (Amounts in NPR million)	Last rated amount	Current rated amount	Rating Action
Issuer Rating	-	NA	[ICRANP-IR] BB-; assigned
Long-term loan limits	1,500	1,539	[ICRANP] LBB-; reaffirmed
Short-term loan limits	(180)	(180)	[ICRANP] A4; reaffirmed
Total	1,500	1,539	

*Instrument details are provided in [Annexure-1](#).

Rating action

ICRA Nepal has assigned the issuer rating of **[ICRANP-IR] BB-** (pronounced ICRA NP issuer rating double B minus) to Maulakali Cablecar Limited (MCL or the company). Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any debt instrument.

ICRA Nepal has also reaffirmed the company's long-term loan ratings at **[ICRANP] LBB-** (pronounced ICRA NP L double B minus) and also reaffirmed its short-term loan rating at **[ICRANP] A4** (pronounced ICRA NP A four).

Rationale

The ratings assignment/reaffirmation factors in the gradually stabilizing operations of the company's cable car segment, while the proposed hotel/resort has also achieved advanced stages of civil construction. The ratings further continue to factor in the promoters' prior experience in executing and operating similar projects (i.e., a cable car with an integrated resort under Chandragiri Hills Limited, CGH rated at [\[ICRANP-IR\] BB+](#)). This has aided in quicker execution of the company's cable car segment (operational since April 2023) with ~13% saving in total budgeted cost of ~NPR 1,115 million, while the hotel segment has achieved ~54% financial progress till mid-May 2024. Further, the cost per key (~NPR 14 million) for the proposed hotel also remains relatively lower, amid major land requirement being met under lease. The ratings also continue to derive comfort from the project's strategic location and the company's association with the financially resourceful IME Group, which has an established presence in the Nepalese financial sector, among others.

However, the ratings remain constrained by the execution and stabilisation risks for the project's proposed 4-star category hotel segment (65 keys) amid the likely curbing of discretionary spending pattern during the periods of economic slowdown, like the present. Additionally, any unexpected delays in project completion could impact the project costs and hence would remain a key monitorable. Further, the debt burden would also remain sizeable during the initial years of integrated operations, thereby impacting the capitalisation/coverage indicators. The hotel project would also be facing intense competition from the large number of established as well as upcoming properties in the vicinity. Moreover, the cyclical/seasonal nature of the tourism sector along the modest scale of operation for the hotel segment could pressurize the liquidity profile in its initial year of operation. Amid this backdrop, ICRA Nepal expects timely/adequate support from the promoters, in case of exigencies. Going forward, the company's ability to complete the project within the estimated cost/timeline and thereafter report adequate occupancy/margins would remain the key rating sensitivities.

¹ Erstwhile Maulakali Cablecar (P.) Ltd, during last rating in June 2023.

Key rating drivers

Credit strengths

Cable car segment gradually achieving stabilisation; hotel segment has relatively lower cost per key – Out of the company’s integrated project, the cable car segment came into operation from mid-April-2023 and was completed with cost saving of ~NPR 150 million in the total expected cost of ~NPR 1,115 million. Given the nature of cablecar operations, the operating profit margins (OPM) has remained healthy so far at ~63% for 10MFY2024, which is expected to moderate after the hotel segment starts operations. Further, the hotel’s cost per key remains on a relatively lower side (~NPR 14 million), assuming the company is able to complete the project within current budgeted cost and timeline estimates. Major part of the project’s land requirements were met through lease, which along with addition of 5 rooms (since last rating) has led to relatively moderate project cost metrics.

Strategic location – The company’s project is located in the Maulakali hill of Nawalparasi East district, which hosts the famous Maulakalika temple, thereby attracting sizeable pilgrims from across the nation as well as from neighbouring countries. Considering the strategic location and the project’s ability to offer both religious and luxury getaway (similar to CGH), the company’s long-term operational prospects remain positive.

Experienced promoters, along with financial flexibility being a part of the IME Group – MCL is promoted by individuals affiliated with the IME Group, which has a long presence across diverse sectors. The promoter group has also executed and is currently operating similar project under CGH, wherein operational/financial profile has been gradually improving. Prior experience of the promoters has resulted in quicker execution timeline for the cable car segment (operational from mid-April 2023, i.e., within 14 months of start of construction), while the hotel complex is also in advanced stages of super-structure completion (~54% financial progress till mid-May 2024). The company’s linkage with the resourceful promoters is also expected to result in timely/adequate promoter support, in case of financial exigencies.

Credit challenges

Execution risk for the hotel segment – The company’s hotel project is being built on top of Maulakali Hill, which has poor road access, thereby reducing the mobility of construction materials during the monsoon. The budgeted cost for this segment is ~NPR 937 million, with current financial progress of ~54% as of mid-May 2024. Given the critical phase of project development, completion of the balance project components within the expected time and budget, will remain crucial. However, the principal repayments for the entire project loan (irrespective of the operations of cablecar segment) are subject to moratorium period of two years from the date of the first loan drawdown, which is ending in Q3FY2025, while the hotel operations are expected to begin from mid-October 2024, which remains a positive.

Stabilisation risks amid high reliance on debt – Given the sizeable debt funding at ~68% (revised from the initial plan of ~75%) in overall revised project cost of ~NPR 1,903 million (integrated cost for cable car, after factoring the cost savings and latest budgeted cost for hotel segment), the company’s capitalization profile is likely to remain stretched in initial years, until the operations are stabilised. In case of a lower occupancy than expected, initial loss support requirements would lead to stretched liquidity as well as muted debt service indicators. The principal repayments are to begin only after the completion of moratorium or overall project completion, however, with the interest payment already started and the cable car project’s interim revenues inadequate to serve such interest, timely/adequate support from the promoters would remain crucial.

High offtake risk amid industry competition – MCL’s hotel project is relatively modest in terms of scalability, with proposed 65 rooms, leading to a cost per key of ~NPR 14 million. Additionally, there are multiple established hotels in the vicinity (mainly Bharatpur, Sauraha, etc.), which could result in pricing pressures and also impact the occupancy levels and hence the company’s profitability. Moreover, the tourism industry in Nepal remains seasonal, which adds up to cash

flow volatility for the company. Hence, the company's ability to maintain adequate liquidity buffers to counterbalance the seasonality also remains a key rating monitorable. Besides, the tourism sector, which depends on discretionary spending, remains vulnerable to economic cyclical, which remain rating concerns.

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

Links to the applicable criteria:

[Issuer Rating Methodology](#)

[Corporate Credit Rating Methodology](#)

Link to the last rating rationale:

[Rationale Maulakali Cablecar Limited Fresh BLR June 2023](#)

About the company

Established in October 2016, Maulakali Cablecar Limited (MCL) is constructing a cable car project, integrated with a proposed four-star category resort in Gaiindakot of Nawalparasi East district. The project's cable car segment has started operations from April 14, 2023, while the hotel is targeted to be operational from mid-October-2024. Mr. Chandra Prasad Dhakal and Mr. Hem Raj Dhakal hold the company's majority stake, through their personal capacity as well as through other closely held entities.

Key financial indicators

Particulars	FY2023	10MFY2024
	(Audited)	(Provisional)
Operating income (OI; Revenues in NPR million)	24	98
OPBDITA/OI (%)	63%	63%
Total debt/Tangible net worth (TNW; times)	1.8	2.0
Total outside liabilities/TNW (times)	2.1	2.1
Total debt/OPBDITA (times)	61.7	14.7
Interest coverage (times)	-	-*
DSCR (times)	-	-*
Net working capital/OI (%)	-157%	24%

Source: Company Data

*KFI is based on partial operations of the project (cablecar segment only) and hence principal repayments have not started yet. However, the interest costs are being paid for banking purposes (being capitalized for accounting purposes) and hence adjusted ICR and DSCR would have been 0.9 and 0.7 respectively for 10 MFY2024.

Annexure-1: Instrument details

Instrument (Amounts in NPR Million)	Previous rated limits	Current rated limits	Rating Action
Long-term loan limits (A)	1,500	1,539	[ICRANP] LBB-; reaffirmed
Term loan I	836	785	
Term loan II	664	754	
Short-term loan limits (B)	(180)	(180)	[ICRANP] A4; reaffirmed
Bridge Gap Loan (within term loan limits above)	(180)	(180)	
Grand Total (A+B)	1,500	1,539	

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