

Purbanchal Cancer Hospital Private Limited

Ratings

Instrument / Facilities	Amount (Rs. In Million)	Rating ^[1]	Rating Action
Long Term Bank Facilities	1,550.00	CARE-NP BB; ISSUER NOT COOPERATING* (Double B; ISSUER NOT COOPERATING*)	Reaffirmed "Issuer not cooperating; Based on best available information" (Notice of Withdrawal)
Total Facilities	1,550.00		

Details of Facilities in Annexure 1

Detailed Rationale & Key Rating Drivers

CRNL has been seeking information from Purbanchal Cancer Hospital Private Limited (PCH) to monitor the rating(s) vide e-mail communications/letters dated July 14, 2021 along with numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant Securities Board of Nepal (SEBON) guidelines, CRNL has reviewed the rating on the basis of the best available information which however, in CRNL's opinion is not sufficient to arrive at a fair rating. CRNL will monitor/watch the rating once for a minimum period of 6 months and notify the Securities Board of Nepal (SEBON) and public with regards to the withdrawal of rating. If after the monitoring of the rating there is no cooperation from the Client, then after, CRNL may withdraw the rating.

Further, PCH has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating of Purbanchal Cancer Hospital Private Limited bank facilities will now be denoted as **CARE-NP BB; ISSUER NOT COOPERATING* (Notice of Withdrawal)**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on May 27, 2020 the following were the rating strengths and weaknesses

Key Rating Weaknesses

Project implementation risk and stabilisation risk

PCH's total project cost is estimated at Rs. 2,642 Mn out of which company has incurred Rs. 2,124 Mn till March 13, 2020. Land required for the hospital building has been procured and construction of building structure is completed. PCH is exposed to implementation risk coupled with stabilisation risk during its initial stage of operations. The debt funding of the same yet to be tied up. This exposes the company towards project execution in terms of partial yet to be tied-up debt, completion of the project with-in the envisaged time and cost. Furthermore, due to debt funding for the project, its capital structure is going to remain leveraged going forward.

Availability and attrition of medical professionals

Availability of qualified medical professionals such as doctors, nurses and other support staff is important for a hospital to continuously provide quality health care facility to the patients. Furthermore, PCH being cancer specialty hospital would require qualified doctors and surgeons in the related field. Increasing competition of hospitals and scarcely available medical professional could post a challenge to PCH on retaining its pool of medical professionals. The key

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com

challenge for the healthcare industry is the acute shortage of trained personnel, ranging from doctors, nurses, technicians and even healthcare administrators. However, the company plans to retain its qualified and trained staffs by entering into employment bond for a fixed period of time.

High vulnerability to treatment-related risks

Healthcare is a highly sensitive sector where any mishandling of a case or negligence on the part of any doctor and/or staff of the unit can lead to distrust among the masses. Thus, all the healthcare providers need to monitor each case diligently and maintain high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent. Further, Healthcare is one of Nepal's major sector both in terms of revenue and employment. The growth drivers include rise in per capita spending on healthcare, change in demographic profile, ageing population, increase in health insurance penetration, growing health awareness and changing attitude towards preventive healthcare and growing medical tourism market is expected to boost healthcare services demand in future. The healthcare sector is highly fragmented with few large players in the organised sector and numerous small players in the unorganized sector leading to high level of competition in the business. Thus, differentiating factors like range of services offered, quality of service, pedigree of doctors, success rate in treatment of complex cases etc. will be crucial in order to attract patients and increase occupancy.

Foreign exchange fluctuation risk

PCH has contracted with different vendors from USA and Europe for procurement of medical equipment and has deferred the payments from 6 months to 3 years. Company's foreign currency exposure towards these vendors is Euros 2.66 Million and USD 1.64 Million as on May 20, 2020 which will be payable based on spot rate in next 6 months to 3 years and company has not taken any measures to hedge itself from foreign currency payment such as forward exchange contract. This exposes the company to foreign exchange fluctuation risk.

Exposure to volatile interest rate

Nepalese banking sector fix interest rates on lending, based on quarterly published base rate by the banks. Due to tight liquidity in the market, the interest rate has been high and volatile during the last 12 months. Therefore, funding from Banks and Financial Institutions are exposed to volatile interest rate.

Key Rating Strengths

Promoter with experience in health sector

PCH is promoted by Mr. Durga Prasad Prasai who owns 100% stake of the company and is also Chairman of the company. Mr. Prasai is involved in different businesses like trading, hotel and is also promoter and Executive Director of B&C Medical College Teaching Hospital & Research Centre Pvt. Ltd. (B&C Hospital) which is a well-established hospital in province 1 of Nepal. Company is constructing a cancer specialty hospital adjacent to B&C Hospital which is expected to provide synergy to the new hospital in terms of existing flow of patient and the equipment and facilities provided as a multi-specialty hospital.

PCH has recruited a group of experienced and specialized medical staffs led by Dr. Birendra Kumar Yadav, Medical Director who has over 10 years of experience. They are supported by other experienced medical staffs.

Geographical advantage with well-equipped infrastructure

PCH has procured modern equipment to provide better facilities to patients within Nepal. All the major equipment which are required for cancer treatments like True Beam Linear Accelerator, Brachytherapy, Mammogram, Chemo

Infusion Equipment, PET/CT scanners etc. has been procured by PCH. Further, few machines purchased by PCH are equipped with latest technology with such equipment either not available or available in few hospitals in Nepal providing advantage to PCH over other hospitals in Nepal.

PCH will provide health services in Province-1 (Eastern Nepal) which currently doesn't have any cancer specialty hospital. With majority of cancer patients currently visiting either Kathmandu or Indian cities for advanced cancer treatments and with no cancer specialty hospital in province 1, PCH expects to take advantage of its presence in geographical location.

Growing demand in the health sector

Healthcare has become one of Nepal's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. Nepalese healthcare sector is growing at a good pace due to its strengthening coverage, services and increasing expenditure by public as well private players. Rising income level, greater health awareness, increased precedence of lifestyle diseases and improved access to insurance would be the key contributors to growth.

About the Company

Purbanchal Cancer Hospital Pvt. Limited (PCH) is a private limited company, incorporated as on September 15, 2017. It is promoted by individual promoter, Mr. Durga Prasad Prasai for setting up a 300 bed Cancer Specialty Hospital (PCH) in Jhapa district of Province 1. PCH will be one of the few cancer specialty hospitals in Nepal and only hospital of its kind in Province 1 of Nepal.

Annexure 1: Details of the Facilities Rated

Nature of the Facility	Type of the Facility	Amount (Rs. Million)	Rating
Long Term Bank Facilities	Term Loan	1,550.00	CARE-NP BB Issuer Not Cooperating (Notice of Withdrawal)
Total		1,550.0	

Contact Us

Analyst

Ms. Elisha Lamichhane
 Contact No.: 977-01-4012628
 Email: elisha.lamichhane@careratingsnepal.com

Senior Analyst

Ms. Shalini Sanghai
 Contact No.: +977-01-4012629
 Email: shalini.sanghai@careratingsnepal.com

Relationship Contact

Name: Achin Nirwani
 Contact No.: +977 9818832909
 Email: achin.nirwani@careratingsnepal.com

About CARE Ratings Nepal Limited:

CARE Ratings Nepal Limited (CRNL) is licensed by the Securities Board of Nepal w.e.f. November 16, 2017. CRNL is supported by CARE Ratings Limited through a technical services agreement to provide technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings on an ongoing basis. The technical support shall ensure that CRNL has adequate resources to provide high quality credit opinions in Nepal.

Our parent company, CARE Ratings Limited commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI).

Disclaimer

CRNL's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRNL has based its ratings on information obtained from sources believed by it to be accurate and reliable. CRNL does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRNL have paid a credit rating fee, based on the amount and type of bank facilities/instruments.