

Helios Hospital Private Limited

Rating

Facilities/Instrument	Amount (Rs. Million)	Rating ¹	Rating Action
Long Term Bank Facilities	392.00	CARE-NP B [Single B]	Assigned
Total Facilities	392.00 (Three Hundred and Ninety-Two Million Only)		

* Details of Facilities in Annexure 1

CARE Ratings Nepal Limited (CRNL) has assigned rating of 'CARE-NP B [Single B]' to the long-term bank facilities of Helios Hospital Private Limited (HHPL).

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of HHPL is constrained by implementation risk associated with the under-construction project and stabilization risk thereafter considering long gestation period associated with hospital industry. The rating also factors in the presence in highly competitive nature of industry along with the exposure to regulatory and reputational risk. The rating, however, derives strengths from experienced promoters, geographical advantage and positive outlook on health care sector over the medium term.

Going forward, the ability of the company to complete the project within the envisaged time and cost and satisfactory operations thereafter will be key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Weaknesses

Implementation risk associated with the under-construction project

The company is setting up a hospital at an estimated cost of Rs. 560 Mn, which is proposed to be financed with debt of Rs. 392 Mn and equity of Rs. 168 Mn (debt to equity ratio of 70:30). Financial closure related to the debt of Rs. 392 Mn is yet to be tied up. This exposes the company towards project execution in terms of funding risk for the projected debt component. Till mid-June 2023, the promoters of the company have already infused Rs. 159.60 Mn out of the total equity component of the project cost. As on mid-June 2023, around 16% of the construction work has been completed from promoter's infusion. The expected commercial operation date (COD) is mid-July 2024. Hence, the company remains exposed to the risks associated with the ongoing project implementation and also its completion within the envisaged time and cost.

Operations stabilization risk and long gestation period associated with hospital industry

The company is setting up a proposed 25 bedded boutique hospital. Generally, hospitals require longer gestation period to recover the associated fixed costs and become profitable. The long gestation period of hospitals is on account of the time needed for the construction and stabilization of operations thereafter, which may take another two to three years. Once operational, the ability of the company to attract customers, maintain occupancy level, establish its brand and derive benefit from the hospital as envisaged will be crucial from credit perspective.

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com and in other CRNL publications.

Highly competitive nature of industry coupled with challenges of attracting and retaining quality doctors and medical professionals

The company operates in a highly competitive nature of industry. There are various organized and unorganized players in the market. It faces stiff competition from other hospitals and private clinics in the area. Thus, differentiating factors like range of services offered, quality of service, pedigree of doctors, success rate in the treatment of complex cases, word of mouth etc. are crucial in order to attract patients and increase occupancy levels. Furthermore, with the increasing competition, the retention of the trained medical staff remains a challenge in the hospital sector. Going forward, the company's business prospects will hinge on its ability to retain and add reputed health consultants to scale up its operations as envisaged.

Reputation risk and Regulatory framework for healthcare sector in Nepal

Despite, the increasing trend of privatization of healthcare sector in Nepal, this sector continues to operate under stringent regulatory control. Accordingly, the players, at times, find difficult to realize their plans or cope with the regulatory framework. Hence, regulatory challenges continue to pose a significant risk to private healthcare sector as they are highly susceptible to changes in regulatory framework.

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.

Key Rating Strengths

Experienced promoters of the company

HHPL is managed under the overall guidance of well experienced doctors specialized in particular fields. The company's board of directors (BOD) possess wide industry experience. Dr. Mimi Giri, Chairperson, has held position as senior consultant in different hospitals in the past. She is also member of the Belgian Endocrine Society, Belgian Organization for Diabetes, American Diabetes Association and American & Belgian Association for the Study of Obesity. Dr. Neeraj Singh, Managing Director, is the Chief Nephrologist & Consultant Physician at HHPL. He is also a Consultant Nephrologist and Physician at Vayodha Hospital. The BOD is further supported by an experienced team across various functions/departments.

Geographical advantage of being located at prime location

HHPL is centrally located at Jawalakhel in Lalitpur district. Thus, having geographical advantages in the revenue profile being a part of Kathmandu valley. Being centrally located, the hospital is easily accessible location for the patients as well as doctors and medical consultants. Better location can significantly boost the hospital's ability to attract and retain patients, thereby impacting the occupancy and cash flow generation capacity of HHPL.

Industry Outlook

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. The Nepalese healthcare sector is growing at a sound 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

HHPL is a private limited company incorporated on September 21, 2020. HHPL is setting up a boutique hospital in Jawalakhel, Lalitpur which spread over 38000 sq. ft. with 25 census beds. The hospital is expected to start commercial operation from mid-July 2024.

Annexure 1: Details of the Facilities Rated

Nature of the Facility	Type of the Facility	Amount (Rs. in Million)	Rating
Long Term Bank Facilities	Term Loan	392.00	CARE-NP B
Total		392.00	

Contact us

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