

Alka Hospital Private Limited

Ratings

Facilities	Amount (Rs. Million)	Ratings ¹	Rating Action
Long Term Bank Facilities	633.31	CARE-NP BBB- [Triple B Minus]	Reaffirmed
Short Term Bank Facilities	65.00	CARE-NP A3 [A Three]	Reaffirmed
Total Facilities	698.31		

Details of instruments/facilities in Annexure-1

CARE Ratings Nepal Limited (CRNL) has reaffirmed the rating of 'CARE-NP BBB-' assigned to the long-term bank facilities and 'CARE-NP A3' assigned to the short-term bank facilities of Alka Hospital Private Limited (AHPL).

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of AHPL continue to derive comfort from its established track record of operations in healthcare along with experienced promoters, and satisfactory infrastructure with diversification across various medical specialties. The ratings factor in steady financial profile over FY24 (Audited; refers to the twelve-month period ended mid-July 2024) -9MFY25 (Unaudited, refers to the nine-month period ended mid-April 2025). The ratings also take note of sequential improvement in gearing profile along with steady coverage indicators in FY24. Furthermore, the favorable demand prospects for the healthcare sector, with increasing medical insurance coverage and rising awareness for better healthcare and the growing population density in Kathmandu Valley, which bodes well for the future prospects of an established market player like AHPL.

The ratings, however, are constrained by reputational risk, regulatory risk and presence in highly competitive nature of the industry. The rating also factors company's ability to sustain its revenue and margin trends, maintain healthy occupancy levels, and ensure adequate capitalization and coverage indicators.

Going forward, the ability of the company to scale up its operations in healthcare, maintain the enrollment ratios of students in different courses, ability to generate the sufficient cash flows to fund the regular capex requirements along with rationalization of its debt levels would be the key rating sensitivities. Any debt-funded capital expenditure that might impact the overall solvency position of the company will be a key monitoring aspect.

Detailed description of the key rating drivers

Key Rating Strengths

Established track record and experienced directors in the related field

AHPL is providing health related services for over two decades (including through former Alka Polyclinic Private Limited) and operating nursing college for more than a decade. The company is promoted by Mr. Tilak Bahadur (Puwar) Thapa along with other family members. Mr. Tilak Bahadur (Puwar) Thapa, Chairman of AHPL, has around than 4 decades of experience in the field of medicine and education. The day-to-day affairs of company are being managed by him with required support from other experienced and qualified management team. Mrs. Bidhya Shrestha (wife of Mr. Thapa) is also promoter director and has experience of more than three decades in healthcare and education through her association with company and individual capacity. Furthermore, the numerous eminent doctors in the city are associated with AHPL on account of its high inflow of patients and satisfactory infrastructure.

¹Complete definition of the ratings assigned are available at <https://www.careratingsnepal.com/> and other CARE publications

Moderate financial risk profile

Although the company has reported moderation in income over FY23-FY24, cash accruals have nonetheless remained steady over this period. The company reported slight decrease in TOI by ~3% to Rs. 767 Mn during FY24 on account of decrease in revenue from nursing college coupled with increased discounts. PBILDT margin has remained fairly stable at ~28% during last two fiscal years. PAT margin declined to 4.41% in FY24 from 5.26% in FY23 owing to higher interest outgo amid inclusion of interest expenses related to lease liabilities. During 9MFY25, AHPL has booked Total Operating Income of Rs. 575 Mn. The company's income profile is expected to improve from FY25 onwards by addition of the pharmacy business.

Furthermore, debt service coverage indicators stood steady with total debt to GCA and interest coverage ratios at 7.79x and 2.39x respectively in FY24 (FY23: 8.05x and 2.40x respectively). AHPL's gearing levels have been on a declining trend over the last few years, and stood moderately leveraged at 1.80x at the end of FY24 (FY23: 2.11x), with accretion of profits to net worth of the company coupled with decrease in the debt levels. The company does not have any major capex planned. Hence, capital structure is expected remain steady with sequential improvement over the medium term.

Satisfactory infrastructure

AHPL operates two hospitals and offers education in healthcare. AHPL booked ~95% of its Total Operating Income (TOI) during FY24 from hospital operations, ~1% from nursing college and balance from rental revenue (pharmacy, canteen & others). The hospitals are multi-specialty hospital offering medical facilities in various medical & surgical fields. The hospitals also offer diagnostics services and specialized clinics in nephrology, plastic surgery, holmium laser enucleation of the prostate (for the first time in Nepal), laparoscopic surgery, family health care services, orthopedic surgery including hip, knee, joint replacement surgery etc. and thus not dependent on any single specialty. The operations of the hospital are well supported by a team of experienced doctors, nurses and paramedic staff. The company had around 102 doctors and 466 support staff on board to service its patients. Furthermore, AHPL has also been involved in providing medical education through Alka Health Institute Pvt Ltd (AHIPL) at Lalitpur. The college campus, has well equipped laboratories, computer centers, well stocked library, cafeteria, well-furnished hostels, etc. Similarly, AHPL has expanded service offerings with the addition of critical care units, including the Pediatric Intensive Care Unit (PICU) and the High Care Unit (HCU).

Growing demand of healthcare services in Nepal

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 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. With most people preferring private health care, private hospitals such as AHPL has a great opportunity to attract patients and increase the patient base.

Geographical advantage

AHPL's hospital units has its presence in Jawalakhel and Bhanimandal, and nursing college at Dhobighat (all are in Lalitpur District), thus having geographical advantages in the revenue profile being part of Kathmandu valley. The hospitals and nursing college are well connected through roads, making it strategically located for carrying out the healthcare and nursing college business.

Key Rating Weaknesses

Reputation risk

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.

Competition in healthcare industry

AHPL is operating in a highly competitive industry. There are various players in the market providing similar facilities. The company faces stiff competition from other hospitals and private clinics in the area. Due to the existence of the numerous large private and hospitals there is an intense competition in the hospital industry. The hospital faces intense competition from other large multi-specialty hospitals in the Kathmandu Valley. With the fierce competition with such hospitals, the challenge could be seen in generating revenue from the patients as well as retaining and adding reputed health consultants.

Exposure to volatile interest rates and regulatory risk

The company's interest rates are based on floating interest rate regime, where a certain premium is added to the monthly base rate and interest rate is changed accordingly on monthly basis. The base rates of the banks and financial institutions (BFIs) in Nepal remain quite volatile as they are impacted by available liquidity in the system, which leads to changes in interest rates. Being debt funded project, higher interest rates than envisaged could result in squeezed margins of the company, impacting its liquidity profile.

Hospitals are regulated by Department of Health Service under the Ministry of Health and Population, who is directly involved in the formulation of nationwide health policy. These frequent changes in the health regulations affect the operation of the hospital services and its formation of long-term policies and investments due to the operational challenges and financial implications caused by the uncertainties on health-related regulations.

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 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

Alka Hospital Private Limited (AHPL) is a private company incorporated under the Companies Act, 2006. AHPL had started its operations through Alka Pharmacy which was established in 1995. The pharmacy expanded its services and the promoters established Alka Polyclinic Private Limited (APPL) in 2002 and later on, in 2005, the name of the company was changed to AHPL. AHPL also runs nursing college under the name of Alka Institute of Medical Sciences (AIMS). Brief financial performance of Alka Hospital Private Limited (AHPL) during last 3 years is given below:

Financial performance

(Rs. In Million)

Particulars	FY22 (A)	FY23 (A)	FY24 (A)
Income from operations	814	788	767
PBILD margin (%)	25.51	30.04	27.72
Overall gearing (times)	1.60	2.11	1.80
Interest Coverage ratio (times)	3.70	2.40	2.39
Current Ratio	1.15	1.32	1.39
Total Debt/ Gross Cash Accruals (times)	5.48	8.05	7.79

A: Audited

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Type of the Facility	Amount (Rs. Million)	Rating
Long Term Bank Facilities	Term Loan	633.31	CARE-NP BBB-
Short Term Bank Facilities	Working Capital Loan	65.00	CARE-NP A3
Total Facilities		698.31	

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