

## Pokhara Noodles Private Limited: Moved to 'Issuer not cooperating' category with notice for rating withdrawal; long-term rating downgraded

October 5, 2020

### Summary of rated instruments:

Amount in NPR million	Limits to be rated	Rating outstanding
Long-term Fund-based limits	162.67	[ICRANP] LBB- <b>"ISSUER NOT COOPERATING"</b> ; downgraded from [ICRANP] LBB; moved to Issuer not cooperating category
Short-term Fund-based limits	295.00	[ICRANP] A4 <b>"ISSUER NOT COOPERATING"</b> ; moved to Issuer not cooperating category
Short-term Non-fund based	250.30	
<b>Total</b>	<b>707.97</b>	

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

### Rating action

ICRA Nepal has downgraded and revised the long-term rating assigned to Pokhara Noodles Private Limited (PNPL) to [ICRANP] LBB- 'Issuer not Cooperating' (pronounced ICRA NP L double B minus Issuer Not Cooperating) from [ICRANP] LBB to its long-term loans. Further, ICRA Nepal has revised the short-term rating to [ICRANP] A4 "Issuer not Cooperating" (pronounced ICRA NP A four Issuer Not Cooperating) from [ICRANP] A4 to the company's short-term loans (including non-fun-based limits). The rating actions have been taken in accordance with the Credit Rating Regulations 2011, following the non-cooperation from PNPL for rating information despite multiple follow-ups. The ratings have been put on notice for withdrawal.

### Rationale

The rating downgrade is because of the lack of adequate information regarding PNPL's performance and hence the uncertainty around its credit risk. The ongoing Covid-19 pandemic is likely to adversely impact the business operations and therefore the reduction in cashflows of PNPL could strain its liquidity position. Coupled with the high gearing, this could also weaken the debt-coverage metrics vis-à-vis previous estimates. The recent Monetary Policy announcement, allowing deferral/restructuring of loans might, provides some comfort. However, given the lack of information from PNPL, the extent of the impact on the financial profile and the debt coverage indicators cannot be ascertained.

ICRA Nepal assesses whether the information available about the entity is commensurate with its rating, and reviews the same as per the Credit Rating Regulations 2011 as well as ICRA Nepal's 'Withdrawal/Suspension Policy' available at [www.icranepal.com](http://www.icranepal.com).

The lenders, investors, and other market participants are thus advised to exercise appropriate caution while using the rating 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.

As part of its process and in accordance with its rating agreement with PNPL, ICRA Nepal has been trying to seek information from the entity to monitor its performance, but despite repeated requests by ICRA Nepal, the entity's management has remained non-cooperative. In the absence of requisite information 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.

### Link to previous detailed rating rationale

[Rationale-Pokhara Noodles Private Limited-Fresh Bank loan rating](#)

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

**Links to applicable criteria**

[Corporate Credit Rating Methodology](#)

**About the company**

Pokhara Noodles Private Limited (PNPL) is a privately held company that was incorporated in March 1992. It is one of the early entrants in instant noodles manufacturing. Its flagship product is ‘Rambha’ white noodles. The company also manufactures brown noodles under the brand name ‘Bonus’, ‘JoJo’, ‘Sulav’, among others.

The major equity owners of the company include Mrs. Tulasa Pandey (~20%), Mr. Shreeram Pandey (~20%), Mr. Hari Prasad Pandey (~18%), Mr. Baburam Pant (~8%), Mrs. Sita Pandey (~6%), Mr. Shankar Prasad Pandey (~5%) among others. As on mid-January 2019, the company had two adjoining manufacturing units in Pokhara Industrial District (PID), producing 16 different types of products, most of which are instant noodles. PNPL purchases its key raw materials—wheat flour (Maida), palm oil, wrappers and card box—from the suppliers within Nepal. As on mid-January 2019, the company’s distribution channel comprised over 200 dealers across the country.

**Analyst Contacts:**

**Mr. Kishor Prasad Bimali** (Tel No. +977-1-4419910/20)

[kishor@icranepal.com](mailto:kishor@icranepal.com)

**Mr. Sailesh Subedi** (Tel No. +977-1-4419910/20)

[sailesh@icranepal.com](mailto:sailesh@icranepal.com)

**Relationship Contacts:**

**Ms. Barsha Shrestha** (Tel No. +977-1-4419910/20)

[barsha@icranepal.com](mailto:barsha@icranepal.com)

**About ICRA Nepal Limited:**

ICRA Nepal Limited, the first credit rating agency of Nepal, is a subsidiary of ICRA Limited (ICRA) of India. It was licenced by the Securities Board of Nepal (SEBON) on October 3, 2012. ICRA Nepal is supported by ICRA Limited through a technical support services agreement, which envisages ICRA helping ICRA Nepal in areas such as rating process and methodologies, analytical software, research, training, and technical and analytical skill augmentation.

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.

For more information, visit [www.icranepal.com](http://www.icranepal.com)

**ICRA Nepal Limited,**

Sunrise Bizz Park, 6th Floor, Dillibazar, Kathmandu, Nepal.

**Phone:**+977 1 4419910/20

**Email:** info@icranepal.com

**Web:** www.icranepal.com

All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA Nepal.

ICRA Nepal ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. The ICRA Nepal ratings are subject to a process of surveillance which may lead to a revision in ratings. Please visit our website ([www.icranepal.com](http://www.icranepal.com)) or contact ICRA Nepal office for the latest information on ICRA Nepal ratings outstanding. All information contained herein has been obtained by ICRA Nepal from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Nepal in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion and ICRA Nepal shall not be liable for any losses incurred by users from any use of this publication or its contents