

M. Jaypee Cement Private Limited: Moved to ‘Issuer not cooperating’ category with notice for rating withdrawal; long-term rating downgraded; ratings removed from watch with negative implications

December 28, 2020

Summary of rated instruments:

Instrument	Rated Amount (In NPR Million)	Rating Action
Long-term loans, fund-based	56.34	[ICRANP] LB+ “ ISSUER NOT COOPERATING* ”; downgraded from [ICRANP] LBB-; removed from watch with negative implications and moved to Issuer not cooperating category
Short-term loans; fund-based	928.73	[ICRANP] A4 “ ISSUER NOT COOPERATING* ”; removed from watch with negative implications and moved to Issuer not cooperating category
Total	985.07	

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

Rating action

ICRA Nepal has downgraded and revised the long-term rating assigned to M. Jaypee Cement Private Limited (MJP) to [ICRANP] LB+ ‘Issuer not Cooperating’ (pronounced ICRA NP L B plus 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. The rating actions have been taken in accordance with the Credit Rating Regulations 2011 following the non-cooperation from MJP for rating information despite multiple follow-ups. The ratings have been removed from ‘Watch with Negative Implications’ and put on notice for withdrawal.

Rationale

The rating downgrade is because of the lack of adequate information regarding MJP’s performance and hence the uncertainty around its credit risk. MJP’s operations and profitability are likely to be severely impacted, amid the reduced demand outlook after the onset of Covid-19 pandemic. These concerns are aggravated by the fact that MJP operates a relatively smaller standalone grinding unit and hence its competitiveness is much lower compared to the large/established greenfield cement units. MJP’s working capital cycle was already witnessing elongation, prior to the pandemic. These are likely to stretch further due to impact of pandemic-induced demand slowdown and hence strain its liquidity profile. Hence, its debt coverage metrics are likely to remain weak vis-à-vis the previous estimates. However, the monetary policy for FY2021 has allowed for deferral/restructuring of loans which could provide some comfort. Nonetheless, in lack of information from MJP, the extent of the impact on the financial profile and 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 Credit Rating Regulations 2011 as well as ICRA Nepal’s ‘Withdrawal/Suspension Policy’ available at www.icranepal.com.

For such ratings, 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 MJP, 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-M. Jaypee Cement P. Ltd.-Fresh Bank loan rating](#)

[Rationale-M. Jaypee Cement P. Ltd.- Ratings placed on watch with negative implications](#)

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

Established in 2000, M. Jaypee Cement Private Limited has an installed cement grinding capacity of 0.31 MTPA. The company has mainly been producing Portland Pozzolana Cement (PPC) and Ordinary Portland Cement (OPC) under the three brands of Apex Cement (OPC-33 grade, 43 grade and 53 grade), Buddha Cement (PPC) and Lumbini Cement (PPC). The plant is located at Birpur in Kapilvastu District. The shareholders of MJP include 32 individuals from diverse backgrounds.

Key financial indicators *(as available at time of last exercise)*

	FY2016 (Audited)	FY2017 (Audited)	FY2018 (Audited)	FY2019 (Audited)
Operating income-OI (NPR million)	622	820	1,321	922
OPBDITA/OI (%)	14.0%	11.6%	10.1%	10.9%
Total debt/Tangible net-worth-TNW (times)	1.4	1.9	2.8	3.1
Total outside liabilities/ TNW (times)	2.1	2.2	3.2	3.3
Total debt/OPBDITA (times)	2.5	4.1	4.9	7.8
Interest coverage (times)	5.8	2.7	2.3	1.6
DSCR (times)	5.3	1.9	1.7	1.5
Net-working capital/OI (%)	35%	46%	47%	79%

Source: Company data

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About ICRA Nepal Limited:

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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.

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