

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

February 03, 2021

Summary of rated instruments:

Instrument	Rated Amount (In NPR Million)	Rating Action
Long-term loans, fund-based	159.88	[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	440.00	[ICRANP] A4 “ ISSUER NOT COOPERATING* ”; removed from watch with negative implications and moved to Issuer not cooperating category
Total	599.88	

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

Rating action

ICRA Nepal has downgraded and revised the long-term rating assigned to Bishal Cement Industries Private Limited (Bishal) 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 Bishal 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 Bishal’s performance and hence the uncertainty around its credit risk. Bishal’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 Bishal operates a relatively smaller standalone grinding unit and hence its competitiveness is much lower compared to the large/established greenfield cement units. Bishal’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 Bishal, 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 Bishal, 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-Bishal Cement Ind. P. Ltd.-Fresh Bank loan rating](#)

[Rationale-Bishal Cement Ind. 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

Incorporated in December 2009, Bishal Cement Industries Private Limited (BCIPL) produces and sells cement and has a grinding capacity of 800 TPD. The company's shares are held by six individuals from diverse backgrounds and one trading company. BCIPL produces OPC under one brand and PPC under three brands. Its factory is in Mianhiya-4, Rupandehi.

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

	FY2016 (Audited)	FY2017 (Audited)	FY2018 (Audited)	FY2019 (Provisional)
Operating income (OI; gross revenue in NPR million)	315	755	971	1,032
OPBDITA/OI (%)	13.5%	4.6%	8.2%	11.5%
Total debt/Tangible net worth (TNW; times)*	3.8	4.3	3.9	2.0
Total outside liabilities/TNW (times)	4.1	5.1	5.5	2.4
Total debt/OPBDITA (times)	9.1	11.9	6.4	5.0
Interest coverage (times)	1.2	0.8	1.7	1.8
DSCR (times)	0.6	1.1	0.9	1.1
Net working capital/OI (%)	69%	34%	23%	47%

Source: Company data

* TNW excludes revaluation reserves created by revaluing the land in FY2019.

Analyst Contacts:

Mr. Rajib Maharjan (Tel No. +977-1-4419910/20)

rajib@icranepal.com

Mr. Sajjan Tamrakar (Tel No. +977-1-4419910/20)

sajjan@icranepal.com

Relationship Contacts:

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

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

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) 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