

Varun Beverages (Nepal) Private Limited: Rating downgraded and moved to ‘Issuer Not Cooperating’ category with notice for rating withdrawal

January 02, 2023

Summary of rating action:

Instrument (Amount in NPR million)	Current Rated Amount	Rating Action
Short-term loan	2,488	[ICRANP] A1 “ISSUER NOT COOPERATING*”; downgraded from [ICRANP] A1+ and moved to Issuer not cooperating category, with notice of withdrawal
Total	2,488	

**Issuer did not cooperate fully/timely; based on limited available information.*

Rating action

ICRA Nepal has downgraded and moved the short-term rating assigned to Varun Beverages (Nepal) Private Limited (Varun) to **[ICRANP] A1 ‘Issuer Not Cooperating’** (pronounced ICRA NP A one, Issuer Not Cooperating) from [ICRANP] A1+ (pronounced ICRA NP A one plus). The rating action has been taken in accordance with the Credit Rating Regulations 2011 following limited cooperation from Varun for rating information despite multiple follow-ups. The rating has also been put on notice for withdrawal.

Rationale

The rating downgrade is because of lack of adequate information about Varun’s performance and hence the resultant uncertainty around its credit risk. However, the company’s largely steady financial performance, as evident from the FY2022 financials provided by the management, restricts the quantum of downgrade to a single notch, despite the uncertainty regarding company’s operational and liquidity profile.

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.

As part of its process and in accordance with its rating agreement with Varun, ICRA Nepal has been trying to seek comprehensive information from the entity to monitor its performance, but despite repeated requests by ICRA Nepal, the entity’s management remained largely non-cooperative till the extended deadline for surveillance. In the absence of full requisite information on a timely manner and in line with the aforesaid policy of ICRA Nepal, a rating view has been taken on the entity based on the limited information made available by the management.

For such ratings, the lenders, investors, and other market participants are advised to exercise appropriate caution while using the ratings 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.

Link to previous detailed rating rationale

[Rationale - Varun Beverages \(Nepal\) Pvt. Ltd. Fresh BLR June 2021](#)

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 1985, Varun Beverages (Nepal) Private Limited (Varun) is the authorised bottlers of PepsiCo in Nepal. Its registered office is in Putalisadak, Kathmandu while its factories are located in Pepsicola and Nawalparasi. Varun produces and sells carbonated non-alcoholic beverages under the brand names - Pepsi®, Mountain Dew®, Slice®, Mirinda®, 7-Up®, Aquafina®, Soda®. Varun is 100% subsidiary of Varun Beverages Limited, India.

Key financial indicators

	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Audited)
	Available during last rating exercise		Incremental data provided	
Total income (NPR million)	6,877	5,141	6,542	8,024
OPBDITA/OI (%)	21.2%	23.6%	26.3%	21.2%
Total debt/ Tangible Net Worth (TNW; times)	0.3	0.3	0.3	0.1
Total outside liabilities/TNW (times)	2.8	3.0	3.0	2.9
Total debt/ OPBDITA (times)	0.3	0.3	0.3	0.2
Interest Coverage (times)	24.3	35.6	32.8	32.7
DSCR (times)	11.8	21.2	20.8	23.7
NWC/ OI (%)	-3%	0%	21%	5%

Source: Company data

Analyst Contacts:

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

rajib@icranepal.com

Mr. Pranil Dahal (Tel No. +977-1-4419910/20)

pranil@icranepal.com

Relationship Contacts:

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

barsha@icranepal.com

About ICRA Nepal Limited:

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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

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