

Varsha Recycling Industries Private Limited: Ratings moved to ‘Issuer Not Cooperating’ category with notice for rating withdrawal

September 4, 2023

Summary of rating action

Instrument*	Rated Amount (NPR million)	Rating action
Fund-based; short-term limits	700.0	[ICRANP] A4 “ ISSUER NOT COOPERATING* ”; moved to Issuer not cooperating category with notice for rating withdrawal
Non-fund based; short-term limits	150.0	
Non-fund based; short-term limits (within fund-based limits)	(280.0)	
Total	850.0	

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

Rating action

ICRA Nepal has revised the short-term rating assigned to Varsha Recycling Industries Private Limited (Varsha) to [ICRANP] A4 ‘Issuer Not Cooperating’ (pronounced ICRA NP A Four, Issuer Not Cooperating) from [ICRANP] A4 (pronounced ICRA NP A Four).

The rating action has been taken in accordance with the Credit Rating Regulations 2011 following limited cooperation from Varsha for rating information despite multiple follow-ups. The ratings have also been put on notice for withdrawal.

Rationale

The ratings are moved to ‘Issuer not cooperating’ category with notice for rating withdrawal because of lack of adequate information about Varsha’s performance and hence the resultant uncertainty around its credit risk. These concerns are likely to remain heightened given the tight banking sector liquidity and the general moderation in economic outlook. Given the lack of adequate information from the company in FY2022 and thereafter, the extent of the impact on the financial profile and debt coverage indicators could not 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 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 a part of its process and in accordance with its rating agreement, ICRA Nepal has been trying to seek information from the entity to monitor its performance. 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_Varsha-Recycling-Industries- BLR Surveillance February-2022.pdf](#)

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

Varsha Recycling Industries Pvt Ltd, operating since 2014, is a manufacturer of aluminium and copper circles/sheets and utensils. The company's product range includes traditional aluminium utensils, pressure cookers, copper utensils, metal handicraft as well as other kitchen wares. It is also involved in the trading of copper, brass & bronze sheets/circles, and utensils (which it sources out from Vijay Metal Industries).

The company is a part of VMI group, which has a long track record in the non-ferrous metal recycling industry of Nepal and is one of the few large and organised players in the sector. Varsha is a family owned business, where Mr. Vimal Siddhartha Baid and his mother, Mrs. Sharda Baid, hold 75% and 25% stake, respectively. The company markets its products under the brand names Shalimar, Presto and VMI.

Key financial indicators (when last rated)

	FY2017 (Audited)	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)
Operating income (OI; NPR million)	694	1,010	836	721	825
OPBDITA/OI (%)	11.1%	9.7%	10.9%	8.1%	11.8%
Total debt/Tangible net worth (TNW; times)	6.7	5.1	4.6	3.8	3.0
Total outside liabilities/TNW (times)	7.5	5.6	4.9	4.0	3.3
Total debt/OPBDITA (times)	6.2	5.2	6.2	8.4	5.4
Interest coverage (times)	2.4	2.0	1.7	1.3	2.9
DSCR (times)	2.3	1.7	1.5	0.8	1.9
Net working capital/OI (%)	63%	49%	68%	70%	70%
Current ratio	0.9	1.0	1.0	1.0	1.1

Source: Company data

Analyst Contacts:

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

sailesh@icranepal.com

Mr. Devendra Dongol (Tel No. +977-1-4419910/20)

devendra@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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