

Pashupati Synpack Industries Private Limited: Ratings downgraded and moved to ‘Issuer Not Cooperating’ category with notice for rating withdrawal

October 3, 2023

Summary of rating action

Instrument*	Rated Amount (NPR million)	Rating action
Fund-based; long-term limits	550	[ICRANP] LBB+ “ ISSUER NOT COOPERATING* ”; downgraded from [ICRANP] LBBB- and moved to Issuer not cooperating category with notice for rating withdrawal
Fund-based; short-term limits	1,700	[ICRANP] A4+ “ ISSUER NOT COOPERATING* ”; downgraded from [ICRANP] A3 and moved to Issuer not cooperating category with notice for rating withdrawal
Non-fund based; short-term limits (within fund-based limits)	(1,285)	
Total	2,250	

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

Rating action

ICRA Nepal has downgraded and revised the long-term rating assigned to the long-term loans of Pashupati Synpack Industries Private Limited (PSI) to [ICRANP] LBB+ ‘Issuer Not Cooperating’ (pronounced ICRA NP L double B plus, Issuer Not Cooperating) from [ICRANP] LBBB- (pronounced ICRA NP L triple B minus). ICRA Nepal has also downgraded and revised the company’s short-term loan rating to [ICRANP] A4+ ‘Issuer Not Cooperating’ (pronounced ICAR NP A four plus, Issuer Not Cooperating) from [ICRANP] A3 (pronounced ICRA NP A three).

The rating action has been taken in accordance with the Credit Rating Regulations 2011 following limited cooperation from PSI 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 PSI’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 FY2023 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 Pashupati-Synpack-Industries-Pvt.-Ltd. BLR -Rationale March 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

Pashupati Synpack Industries Private Limited (PSI), established in 2002, manufactures polypropylene (PP) and high-density polyethylene (HDPE) synthetic woven & non-woven fabric and bags. The company's product line includes PP woven fabric, PP non-woven fabric, HDPE woven fabric and PP bags. A large share of the company's revenues is derived from the export of its products to India and the rest through local sales. PSI's registered office is in Biratnagar with its factory located in Sunsari. The company is owned by 15 individuals of the Sharda Group. Mr. Anupam Rathi is the Managing Director of the company.

Key financial indicators

	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Audited)
	Last rating exercise				Latest update
Operating income (OI; NPR million)	1,516	1,786	1,643	2,030	2,057
OPBDITA/OI (%)	5.8%	8.2%	9.9%	9.9%	5.0%
Total debt/Tangible net worth (TNW; times)	1.5	1.6	0.9	0.7	1.8
Total outside liabilities/TNW (times)	2.1	1.9	1.2	1.1	2.2
Total debt/OPBDITA (times)	6.9	4.6	2.6	2.1	9.4
Interest coverage (times)	2.2	2.4	3.7	14.3	3.9
DSCR (times)	1.5	1.9	2.1	4.7	3.5
Net working capital/OI (%)	38%	38%	30%	30%	31%
Current ratio (times)	1.1	1.1	1.2	1.4	1.1

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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