

Dolphin Feeds Private Limited: Ratings downgraded and moved to ‘Issuer Not Cooperating’ category with notice for ratings withdrawal

October 03, 2023

Summary of rating action:

Facility	Rated Amount (NPR million)	Rating Action
Long-term loan limits	338.6	[ICRANP] LB+ “ ISSUER NOT COOPERATING* ”; downgraded from [ICRANP] LBB- and moved to Issuer not cooperating category, with notice of withdrawal
Short-term loan limits	661.4	[ICRANP] A4 “ ISSUER NOT COOPERATING* ”; revised from [ICRANP] A4 and moved to Issuer not cooperating category with notice of withdrawal
Total	1,000.0	

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

Rating action

ICRA Nepal has downgraded the long-term loan rating of Dolphin Feeds Private Limited (DFPL) to **[ICRANP] LB+** ‘Issuer Not Cooperating’ (pronounced ICRA NP L B plus, Issuer Not Cooperating) from [ICRANP] LBB- (pronounced ICRA NP L double B minus). ICRA Nepal has also revised the company’s short-term loan rating 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 DFPL for rating information despite multiple follow-ups. The ratings have also been put on notice for withdrawal.

Rationale

The ratings revision mainly factors in the uncertainties regarding the company’s financial profile, amid the lack of information about DFPL’s performance and hence the resultant concerns around its credit risk. These concerns are heightened following the inflated borrowing rates in recent quarters, rise in cost of raw materials, DFPL’s limited operational track record and stretched liquidity (when last rated), among others. The ongoing economic slowdown might have also impacted DFPL’s operational and financial indicators. However, in lack of any information from DFPL, the extent of the impact on the company’s financial profile and debt coverage indicators could not be ascertained.

ICRA Nepal assesses whether the information available about the entity is commensurate with its ratings 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 a part of its process and in accordance with its rating agreement with DFPL, 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 the 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 best available information and standard operating procedure (SOP).

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 the previous detailed rating rationale

[Rationale Dolphin Feeds Private Limited Fresh BLR March-2022](#)

Analytical approach: For arriving at the ratings, ICRA Nepal has applied its rating methodology as indicated below.

Links to the applicable criteria

[Corporate Credit Rating Methodology](#)

About the company

When last rated, Dolphin Feeds Private Limited (DFPL) was a newly set-up pellet feed industry with production capacity of 15 metric tonnes per hour (MTPH). The company was incorporated in 2019 and the factory started operations from mid-September 2021. DFPL took over the poultry feed manufacturing business of its sister concern, Dolphin Adhunik Dana Udhyog (DADU), which was operational from 2013 with a capacity of 5MTPH, with DADU shifting to the cattle feed manufacturing segment. DFPL's factory is in Banke District, Nepalgunj. The company was largely a family-owned/operated unit and Mr. Surya Bahadur Thapa was chairman of the company.

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

	H1 FY2022* (Unaudited)
Operating income-OI; sales (NPR million)	515
OPBDITA/OI (%)	9.93%
Total debt/Tangible net worth - TNW (times)	3.33
Total outside liabilities/TNW (times)	4.19
Total debt/OPBDITA (times)	4.23
Interest coverage (times)	2.62
DSCR (times)	2.67
Net working capital/OI (%)	23%
Current ratio (times)	1.18

Source: Company data

*Operational for 4 months in H1 FY2022 (from mid-September 2021 to mid-January 2022)

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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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