

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

October 03, 2023

Summary of rating action:

Instrument	Rated Amount (NPR million)	Rating Action
Long-term loan limits	431	[ICRANP] LBB- “ ISSUER NOT COOPERATING* ”; downgraded from [ICRANP] LBB and moved to Issuer not cooperating category, with notice of withdrawal
Short-term loan limits	3,910	[ICRANP] A4 “ ISSUER NOT COOPERATING* ”; revised from [ICRANP] A4 and moved to Issuer not cooperating category with notice of withdrawal
Total	4,341	

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

Rating action

ICRA Nepal has downgraded the long-term loan rating of Probiotech Industries Private Limited (Probiotech) to **[ICRANP] LBB- ‘Issuer Not Cooperating’** (pronounced ICRA NP L double B minus, Issuer Not Cooperating) from [ICRANP] LBB (pronounced ICRA NP L double B). 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 Probiotech 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 Probiotech’s performance and hence the resultant concerns around its credit risk. These concerns are further heightened by the inflated borrowing rates in recent quarters, rise in cost of raw materials along with the company’s modest financial profile and high working capital intensity, when last rated. The ongoing economic slowdown might have also impacted Probiotech’s operational and financial indicators. However, in lack of any information from Probiotech, the exact 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 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 a part of its process and in accordance with its rating agreement with Probiotech, 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.

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 of Probiotech Industries Private Limited 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

Incorporated in March 2001, Probiotech Industries Private Limited (Probiotech) is involved in manufacturing of animal feed products, feed supplements, extraction of oil, refining of edible oils and various types of Lentil / pulses production. When last rated, the company had an installed capacity of ~100,000 MTPA for various feed production, ~40,000 MTPA for soya extraction, ~33,000 MTPA for edible oil, ~6,000 MTPA for flour and nuggets and ~15,000 MTPA for lentil production. The factory of the company is located in Birgunj -21, Lipani Birta, Jagarnathpur. The company is producing its products under brands like Shakti, Shakti Hi-Gain, Soyamax, Sunaulo Kiran, Byanjan, Provit and Promin Mr. Anand Bagaria is the Managing Director of the company.

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

	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)
Operating income-OI; sales (NPR million)	6,050	7,737	8,256	11,109
OPBDITA/OI (%)	5.97%	5.45%	5.41%	4.38%
Total debt/Tangible net worth - TNW (times)	3.49	4.15	4.50	4.57
Total outside liabilities/TNW (times)	4.68	5.13	5.42	5.54
Total debt/OPBDITA (times)	7.65	7.88	8.36	8.85
Interest coverage (times)	1.72	1.41	1.40	2.44
DSCR (times)	1.21	1.00	0.96	1.38
Net working capital/OI (%)	43%	37%	40%	36%
Current ratio (times)	1.01	0.94	0.93	1.02

Source: Company data

Analyst Contacts:

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

sailesh@icranepal.com

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

rajib@icranepal.com

Mr. Bigyan Bhattarai (Tel No. +977-1-4419910/20)

bigyan.bhattarai@icranepal.com

Relationship Contacts:

Ms. Barsha Shrestha (Tel No. +977-1-4419910/20)
barsha@icranepal.com

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.

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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