

## Nepal Shalimar Cement Private Limited: Ratings downgraded and moved to 'Issuer Not Cooperating' category with notice for ratings withdrawal

November 06, 2023

### Summary of rating action

Instrument	Rated Amount (NPR million)	Rating Action
Long-term loan limits	276	[ICRANP] LB “ <b>ISSUER NOT COOPERATING</b> ”; downgraded from [ICRANP] LB+ and moved to Issuer not cooperating category, with notice of withdrawal
Short-term loan limits	1,330	[ICRANP] A4 “ <b>ISSUER NOT COOPERATING</b> ”; revised from [ICRANP] A4 and moved to Issuer not cooperating category, with notice of withdrawal
<b>Total</b>	<b>1,606</b>	

### Rating action

ICRA Nepal has downgraded the long-term rating of Nepal Shalimar Cement Private Limited (NSCPL) to [ICRANP] LB 'Issuer Not Cooperating' (pronounced ICRA NP L B, Issuer Not Cooperating) from [ICRANP] LB+ (pronounced ICRA NP L B plus). 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 ratings have also been put on notice for withdrawal.

The rating action has been taken in accordance with the Credit Rating Regulations 2011, following the non-cooperation from NSCPL for rating information, despite multiple follow-ups.

### Rationale

The ratings revision mainly factors in the uncertainties regarding the company's financial profile, amid the lack of information about NSCPL's performance and hence the resultant concerns around its credit risk. These concerns are heightened following the inflated borrowing rates, moderation in construction sector activities, reduced capacity utilisation across the cement industry and general economic outlook. However, in lack of any information from NSCPL, 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](http://www.icranepal.com).

As a part of its process and in accordance with its rating agreement with NSCPL, ICRA Nepal has been trying to seek information from the entity to monitor its performance, but 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.

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.

### Link to the previous detailed rating rationale

[Rationale\\_Nepal-Shalimar-Cement\\_BLR-Surveillance\\_April-2022](#)

**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 August 2003, Nepal Shalimar Cement Private Limited (NSCPL) is involved in the production and sales of cement, with current installed grinding capacity of ~545,160 MTPA. The entire shares of the company are held by five individuals from the Shalimar Group. The company produces Ordinary Portland Cement (OPC) and Pozzolana Portland Cement (PPC) under seven brands each, and Portland Slag Cement (PSC) under eight brands. Its factory is located at Pipara, Simara in the Bara district of Nepal.

**Key financial indicators (as available during last rating exercise)**

Amount in NPR million	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	H1FY2022 (Provisional)
Operating Income-OI (Sales; NPR million)	3,338	2,851	2,248	2,450	981
OPBDITA/OI (%)	11.1%	5.9%	5.9%	2.9%	8.7%
Total debt/ Tangible net worth TNW (times)	1.6	1.9	2.6	3.1	4.2
Total Outside Liabilities/TNW (times)	2.2	2.8	3.3	4.0	5.2
Total Debt/OPBDITA (times)	3.3	7.4	10.8	19.1	9.9
OPBDITA/Interest (Interest coverage; times)	3.5	1.7	0.9	0.6	1.4
DSCR (times)	1.6	1.3	0.7	0.4	0.6
Current ratio	1.2	0.9	0.9	0.8	0.8

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**About ICRA Nepal Limited:**

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For more information, visit [www.icranepal.com](http://www.icranepal.com)

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