

Rautaha Construction Private Limited: Ratings moved to ‘Issuer Not Cooperating’ category with notice for ratings withdrawal

January 03, 2024

Summary of rating action:

Instrument (Amount in NPR million)	Rated Amount	Rating Action
Fund-based; long-term limits	61.7	[ICRANP] LB+ “ISSUER NOT COOPERATING*” revised from [ICRANP] LB+ and moved to Issuer not cooperating category, with notice of withdrawal
Fund-based; long-term limits (proposed)	50.0	
Fund-based; short-term limits	268.5	[ICRANP] A4 “ISSUER NOT COOPERATING*” ; revised from [ICRANP] A4 and moved to Issuer not cooperating category, with notice of withdrawal
Non-fund based; short-term limits	6,440.0	
Non-fund based; short-term limits (proposed)	868.8	
Total	7,689.0	

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

Rating action

ICRA Nepal has revised the long-term loan rating assigned to Rautaha Construction Private Limited (RCPL) to [ICRANP] LB+ ‘Issuer Not Cooperating’ (pronounced ICRA NP L B plus, 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 rating action has been taken in accordance with the Credit Rating Regulations 2011 following limited cooperation from RCPL despite multiple follow-ups. The ratings have also been put on notice for withdrawal.

Rationale

The ratings revision mainly factors in the non-cooperation from RCPL for detailed surveillance, impeding a thorough evaluation of its performance. The current tight liquidity in the banking sector and the general moderation in the economic outlook heighten the concerns about RCPL's financial/credit profile.

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 part of its process and in accordance with its rating agreement with RCPL, 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 non-cooperative till the extended deadline for surveillance. 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- Rautaha Construction Private Limited Fresh BLR June 2022](#)

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

Links to the applicable criteria:
[Corporate Credit Rating Methodology](#)
[Issuer Not Cooperating Guidelines](#)
About the company

Rautaha Construction Private Limited (RCPL) was established in 1977 as a proprietorship firm and was later converted into a private construction company in 2006. The company mainly deals in civil construction work primarily related to roads, buildings, bridges, etc., primarily in the public sector.

Key financial indicators (as available, when last rated)

Particulars	FY2018 Audited	FY2019 Audited	FY2020 Audited	FY2021 Audited
Operating Income-OI (Revenues in NPR Million)	323.7	589.2	395.8	487.9
OPBDITA/OI (%)	24.1%	15.0%	23.1%	20.7%
Total Debt/Tangible Net Worth TNW (times)	3.5	2.8	2.7	2.7
Total Outside Liabilities/ TNW (times)	5.5	4.3	4.8	4.9
Total Debt/OPBDITA (times)	3.2	3.0	3.0	3.0
Interest Coverage (times)	2.8	3.5	3.2	2.9
DSCR (times)	1.3	1.4	0.8	1.5
Net Working Capital/OI (%)	9%	12%	18%	22%
Current Ratio	0.9	0.8	0.7	0.8

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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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