

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

January 03, 2024

Summary of rating action

Facility	Rated Amount (NPR million)	Rating Action
Long-term loan limits	76	[ICRANP] LB+ “ISSUER NOT COOPERATING*”; downgraded and revised from [ICRANP] LBB- and moved to ‘Issuer not cooperating’ category with notice of rating withdrawal.
Short-term loan limits	744	[ICRANP] A4 “ISSUER NOT COOPERATING*”; revised from [ICRANP] A4 and moved to issuer not cooperating category with notice of rating withdrawal.
Total	820	

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

Rating action

ICRA Nepal has downgraded and revised the long-term loan rating assigned to Magnum Coal Private Limited (MCPL) 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 the non-cooperation from MCPL for rating information despite multiple follow-ups. The ratings have also been put on notice for withdrawal.

Rationale

The ratings downgrade/revision mainly factors in the uncertainties regarding the company’s financial profile, amid the lack of information about MCPL’s performance and hence the resultant uncertainty around its credit risk. These concerns are exacerbated given the general economic slowdown and high borrowing rates in last 12-15 months, which could have significantly impacted MCPL’s revenue/margins and financial profile. Given the lack of information from the company, 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 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 MCPL, ICRA Nepal has been trying to seek complete 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 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

[BLR-Rationale Magnum-Coal-Private-Limited 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

Incorporated in February 2016, Magnum Coal Private Limited (MCPL) was in the business of importing and selling various types of coal, including Indonesian, Australian, South African, Australian, and Indian coal. When last rated, MCPL's major consumers were cement industries with clinkerisation units, steel industries and brick industries. The company was initially promoted by four individuals and when last rated, MCPL had a total of eight individuals and one company as its shareholders. Rajesh Hardware Private Limited was the company's largest shareholder with ~28% stake.

Key financial indicators (as available during last rating exercise; fresh updates not made available)

	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	9MFY2022 (Provisional)
Operating income (OI; NPR million)	974	485	409	486
OPBDITA/OI (%)	-0.6%	10.1%	7.0%	16.6%
Total debt/Tangible net worth (TNW [#] ; times)	8.48	8.82	7.28	5.42
Total outside liabilities/TNW (times)	13.51	9.25	7.15	6.08
Total debt/OPBDITA (times)	-68.15	8.10	10.43	3.68
Interest coverage (times)	-0.14	1.03	0.99	2.31
Debt service coverage ratio - DSCR (times)	0.02	0.81	0.86	1.75
Net working capital/OI (%)	34%	75%	65%	60%
Current ratio	0.96	0.93	1.19	1.21

Source: Company data

TNW excludes revaluation reserves of ~NPR 39 million created by revaluation of land (TNW excluding this was ~NPR 73 million as of mid-April 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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