

I.M.E Automotives Private Limited: Ratings downgraded to [ICRANP] LC+/A4 and moved to 'Issuer not cooperating' category with notice of ratings withdrawal

March 04, 2024

Summary of rating action

Instruments	Rated Amount (NPR million)	Rating action
Long-term, fund-based loan limits	18	[ICRANP] LC+ "ISSUER NOT COOPERATING" ; downgraded from [ICRANP] LB- and moved to 'Issuer not cooperating' category, with notice of withdrawal
Short-term, fund-based loan limits	100	[ICRANP] A4 "ISSUER NOT COOPERATING" ; revised from [ICRANP] A4 and moved to 'Issuer not cooperating' category, with notice of withdrawal
Short-term, non-fund-based loan limits	650	
Total	768	

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

Rating action

ICRA Nepal has downgraded and revised the long-term loan rating of I.M.E Automotives Private Limited (IAPL) to [ICRANP] LC+ 'Issuer not Cooperating' (pronounced ICRA NP L C plus, Issuer Not Cooperating) from [ICRANP] LB- (pronounced ICRA NP L 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 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 IAPL for rating information, despite multiple follow-ups.

Rationale

The ratings downgrade/revision is mainly on account of the lack of information about IAPL's performance and hence the uncertainty around its credit risk. These concerns are further heightened by the company's stretched liquidity profile with overutilisation of drawing power, along with a track record of delays in serving the debt obligations (up to 30 days), along with the company's modest financial profile, when last rated. Hence, the likely margin pressures amid the ongoing economic/demand slowdown and the sharp increase in borrowing rates could have significantly impacted the company's coverage ratios. However, in lack of information from IAPL, the extent of the impact on the financial profile and debt coverage indicators cannot 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. For such ratings, the lenders, investors, and other market participants are thus 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.

As a part of its process and in accordance with its rating agreement with IAPL, 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.

Link to the previous detailed rating rationale:

[Rationale –I.M.E. Automotives Private Limited–BLR August 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

Established in 2009, I.M.E. Automotives Private Limited (IAPL) is the sole authorised distributor of Escorts branded construction equipment for Nepal from November 2014 (started with dealership of AMW commercial vehicles in 2009, which was later discontinued). IAPL is a part of the IME Group, which has a track record of more than 20 years in the Nepalese financial sector, among others.

Key Financial Indicators (as available during last rating; further updates not made available)

Amount in NPR million	Audited			
	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Provisional)
Operating Income-OI (Sales; NPR million)	746	341	535	626
OPBDITA/OI (%)	14.7%	-9.5%	4.0%	10.8%
Total Debt/ Tangible Net Worth (TNW; times)	32.4	10.7	18.2	3.7
Total Outside Liabilities/TNW (times)	35.1	11.2	19.1	3.7
Total Debt/OPBDITA (times)	7.6	-23.2	32.7	10.6
OPBDITA/Interest (Interest coverage; times)	1.1	-0.3	0.4	1.4
DSCR (times)	1.1	-0.3	0.4	1.3
Net Working Capital/OI (%)	100%	190%	104%	123%
Current Ratio	0.9	0.9	0.9	1.1

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About ICRA Nepal Limited

ICRA Nepal Limited, the first Credit Rating Agency of Nepal, is a subsidiary of ICRA Limited (ICRA) of India. It was licensed by the Securities Board of Nepal (SEBON) on October 3, 2012. ICRA Nepal is supported by ICRA Limited through a technical support services agreement, which envisages ICRA helping ICRA Nepal in areas such as rating process and methodologies, analytical software, research, training, technical and analytical skill augmentation.

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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