

Shubha Shree Jagdamba Cement Mills Private Limited: Ratings downgraded and moved to 'Issuer Not Cooperating' category with notice for ratings withdrawal

June 03, 2024

Summary of rating action

Instrument	Last rated amount (NPR million)	Rating Action
Long-term loan limits	98	[ICRANP] LBB- “ ISSUER NOT COOPERATING ”; downgraded from [ICRANP] LBB+ and moved to Issuer not cooperating category, with notice of withdrawal
Short-term loan limits	2,050	[ICRANP] A4 “ ISSUER NOT COOPERATING ”; downgraded from [ICRANP] A4+ and moved to Issuer not cooperating category, with notice of withdrawal
Total	2,148	

Rating action

ICRA Nepal has downgraded the long-term rating of Shubha Shree Jagdamba Cement Mills Private Limited (SSJCM) 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 plus). ICRA Nepal has also downgraded 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 plus). 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 SSJCM for rating surveillance, despite multiple follow-ups.

Rationale

The ratings downgrade mainly factors in the uncertainties regarding the company's financial profile, amid the lack of information about SSJCM's performance and hence the resultant concerns around its credit risk. These concerns are heightened by the high borrowing rates (during FY2023), moderation in construction sector activities, reduced demand/capacity utilisation across the cement industry amid general economic slowdown. These factors have led to sharp moderation in revenue and margins across the industry (including the industry leaders), thus resulting in major moderation in debt coverage and liquidity metrics. However, in lack of any information from SSJCM, 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 SSJCM, 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_Shubha Shree Jagdamba-Cement_BLR-Surveillance_November-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 August 2007, Shubha Shree Jagdamba Cement Mills Private Limited (SSJCM) is involved in the production and sales of cement, with current installed grinding capacity of 2,600 TPD. When last rated, the shares of the company were held by seven individuals from two business houses of Nepal namely Shankar Group and Saurabh Group. SSJCM produces Ordinary Portland Cement (OPC) and Portland Slag Cement (PSC). Its factory is located at Chhatta Pipra Chorni-4, Parsa which is ~125 km from Kathmandu.

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

Amount in NPR million	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Provisional)
Operating Income-OI (Sales; NPR million)	5,554	5,909	4,227	4,877	4,214
OPBDITA/OI (%)	8%	10%	11%	9%	9%
Total debt/ Tangible net worth TNW (times)	2.67	2.56	2.02	2.09	1.94
Total Outside Liabilities/TNW (times)	4.18	3.79	3.10	2.96	2.49
Total Debt/OPBDITA (times)	4.85	3.85	3.78	3.81	4.46
OPBDITA/Interest (Interest coverage; times)	3.46	1.97	2.14	3.11	2.18
DSCR (times)	2.65	1.36	1.27	1.62	1.28
Net-working capital/OI (%)	29%	30%	35%	31%	42%
Current ratio	0.95	1.00	1.01	0.98	1.03

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About ICRA Nepal Limited:

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