

Fujima Oil Company Private Limited: Ratings downgraded and moved to ‘Issuer Not Cooperating’ category with the notice for ratings withdrawal

July 01, 2024

Summary of rating action

Instrument	Last rated amount (NPR million)	Rating Action
Long-term loan limits	42	[ICRANP] LBB- “ISSUER NOT COOPERATING” ; downgraded from [ICRANP] LBB and moved to Issuer not cooperating category, with notice of withdrawal
Short-term loan limits	485	[ICRANP] A4 “ISSUER NOT COOPERATING” ; downgraded from [ICRANP] A4+ and moved to Issuer not cooperating category, with notice of withdrawal
Total	527	

Rating action

ICRA Nepal has downgraded the long-term loan rating of Fujima Oil Company Private Limited (Fujima) 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). 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 Fujima 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 Fujima's financial/operational performance and hence the resultant concerns around its credit risk. These concerns are heightened by the likely demand slowdown for the company's lubricant products amid the ongoing general economic slowdown and hence likely pressure on margins. Further, the high borrowing rates during FY2023 and general increase in working capital cycle being faced by most sectors, could also have impacted the company's coverage metrics. However, in lack of any information from Fujima, 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 Fujima, 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 rating rationale:

[Rationale Fujima Oil Company Private Limited Fresh BLR December-2022](#)

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

Links to the applicable criteria:

About the company

Incorporated in 1999, Fujima Oil Industries Private Limited (Fujima) is a manufacturer/blender of various types of automobile lubricants, sold under the brand names of 'Control', 'Magic Plus' and 'Royal'. Its registered office is in Kathari V.D.C., Morang District in eastern Nepal. The business was closely held by four individuals, viz., Mr. Madhav Prasad Koirala, Mr. Ishwor Prasad Koirala, Ms. Bina Shrestha and Mr. Pranav Dhamala, holding 35%, 5%, 30% and 30% stake respectively, when last rated.

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

	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Provisional)
Operating income - OI (NPR million)	491	558	361	456	591
OPBDITA/OI (%)	8.8%	10.6%	8.4%	8.3%	9.5%
Total debt/Tangible net-worth-TNW (times)	1.82	1.37	1.41	1.59	1.13
Total outside liabilities/ TNW (times)	2.34	1.84	1.80	2.00	1.37
Total debt/OPBDITA (times)	6.33	3.66	7.43	6.93	4.38
Interest coverage (times)	1.79	1.72	1.29	2.05	2.08
DSCR (times)	1.75	1.38	1.07	1.26	1.54
Net-working capital/OI (%)	57%	43%	70%	63%	56%
Current ratio (times)	1.22	1.29	1.24	1.20	1.48

Source: Company data

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About ICRA Nepal Limited:

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