

Nimbus International Company Private Limited: Rating reaffirmed and removed from ‘Issuer Not Cooperating’ category

July 01, 2024

Summary of rating action

Instrument* (Amounts in NPR million)	Previous rated amount	Current rated amount	Rating Action
Short-term loan limits	2,105	1,952	[ICRANP] A4; reaffirmed and removed from ‘Issuer Not Cooperating’ category
Total	2,105	1,952	

*There are different loan instruments within the limit rated above.

Rating action

ICRA Nepal has reaffirmed the short-term loan rating of Nimbus International Company Private Limited (NICPL) at [ICRANP] A4 (pronounced ICRA NP A four) and removed the same from ‘Issuer Not Cooperating’ category.

Rationale

The rating is mainly constrained by the company’s modest financial profile, characterised by stretched capitalisation and weak coverage indicators amid generally thin operating profit margins (OPM). Additionally, the company’s liquidity profile also remains weak as reflected in its elongated working capital cycle and generally fully utilised or slightly overutilized drawing power. NICPL also reported a major revenue drop during FY2023 (~18%), which trajectory is likely to continue in FY2024 as well (based on 9MFY2024 revenue trends), while the working capital levels have remained largely similar, thus further pressurising the company’s funding profile. Further, the import-based business of NICPL remains exposed to price risks, forex risks and offtake risks. Additionally, a sizeable portion of revenues are concentrated among top customers (including sister concerns) which also remains a rating concern.

Nonetheless, the rating factors in the company’s long operational track record and its association with the established Nimbus Group, which has multiple interlinked units in the agro-based industry. NICPL has an extensive and established supply chain, along with a diverse product portfolio, which has aided its business profile over the years. Going forward, NICPL’s ability to attain adequate revenue/margins and this improve its capitalisation/coverage indicators and working capital cycle would remain among the key rating sensitivities.

Key rating drivers

Credit strengths

Long track record and experienced promoters – NICPL is a part of the Nimbus Group, which has a long presence in the agro-based business (first unit of the group being operational since 1998). Over these years, NICPL has built a diverse sales channel throughout the country for its increasing product portfolio, which has also aided its business performance. Additionally, the product portfolio of NICPL mainly includes staple food and feed items, which generally has a good demand outlook (albeit subject to economic cyclicity). The company’s promoters and management team remain experienced in the sector. Further, the promoters have also been infusing funds during times of financial exigencies, which remains a positive.

Credit challenges

Modest financial profile – The company’s financial profile continues to remain stretched, characterized by a borderline gearing of ~3.9 times as of mid-July 2023, despite equity injection. Further, the company’s generally low OPM (partly owing to the nature of business) has led to muted debt coverage metrics. The total debt to OPBDITA metrics remained high at ~9.7 times in FY2023 as against ~6.2 times in FY2022, while both the interest coverage and debt service coverage ratios also remained stressed at ~0.9 times in FY2023. Since these metrics were also supported by the sizeable rate differential charged to dealers (in form of interest), sustainability of such income will have a major impact on incremental coverage metrics.

Stretched liquidity profile – NICPL’s working capital intensity (net working capital to operating income ratio) remains high at ~30% for FY2023 as against ~24% in FY2022. This was on account of the elongated debtor days and increased inventory holding period. The company’s dependence on bank borrowings to finance its working capital requirements has also remained generally high with limited to no buffer in its drawing power (~100% utilised as of mid-March 2024). NICPL’s working capital levels have remained largely steady between mid-July 2023 and mid-March 2024, despite the continuation of declining revenue trajectory during 9MFY2024 (~21% drop against 9MFY2023 levels, excl. interest charged on debtors), which remains an area of concern.

Fragmented market and customer concentration risks – The food grain/legumes and animal feed/related inputs trading industry in the country consists of several organized/unorganized players. This, coupled with the low entry barriers, exposes players like NICPL to a competitive landscape, which is reflected in its generally thin OPM. In addition, the company’s earnings remain heavily dependent among top customers (top-10 customers accounted for ~59% of total sales in 9MFY2024 as against ~47% in FY2023) including its three sister concerns (~39% of total sales in 9MFY2024 as against ~22% in FY2023).

Regulatory risks on imports along with agro-climatic risks – Players like NICPL are highly reliant on imports for their business as Nepal is the net importer of food-related products, despite being an agricultural country. Additionally, its revenue and profitability also remain vulnerable to the agro-climatic risks impacting the quality and price of inputs. Furthermore, the usage of foreign currency denominated loans (trust receipt loans) for import of raw materials (while entire revenues are in Nepalese Rupees), exposes the operations and profitability to forex risks.

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

Link to the applicable criteria:

[Corporate Credit Rating Methodology](#)

Link to the last rating rationale:

[Rationale-Nimbus International Company-Issuer not cooperating January 2024](#)

About the company

Established in 2000, Nimbus International Company Private Limited (NICPL) is the importer and trader of various types of agricultural products and animal feed supplements/nutrients. The company purchases food grains and animal feed supplements from various countries as well as from local farmers. NICPL directly sells some of the procured items through its dealers/retailers in Nepal, whereas it also brands and sells certain processed items (processing done through outsourced contract manufacturers). In case of animal feed/supplement/nutrients, these are sold to companies involved in animal husbandry and individuals. Its corporate office is in Sinamangal, Kathmandu. The entire stake of NICPL is held by Nimbus Holding Company Private Limited, which in turn, is equally held by Mr. Anand Agrawal (Bagaria) and Mr. Jagdish Agrawal. Mr Anand Agrawal (Bagaria) is the only director of NICPL.

Key financial indicators

	FY2019	FY2020	FY2021	FY2022*	FY2023*
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Operating income (OI; revenues in NPR million)	4,486	5,914	7,223	8,627	7,047
OPBDITA/OI (%)	1.3%	1.2%	1.6%	3.1%	2.5%
Total debt/Tangible net-worth-TNW (times)	4.6	6.4	3.9	3.9	3.9
Total outside liabilities/ TNW (times)	5.5	7.1	4.3	4.3	4.0
Total debt/OPBDITA (times)	16.7	22.2	11.1	6.2	9.7
Interest coverage (times)	0.5	0.5	1.0	1.9	0.9
DSCR (times)	1.2	1.3	1.6	1.6	0.9
Net-working capital/OI (%)	26%	30%	22%	24%	30%
Current Ratio	1.2	1.1	1.2	1.2	1.2

Source: Company data

*Operating income for these periods also include the rate differential/interest income charged on debtors, as presented in audited financial statements, from FY2022 onwards vis-à-vis being presented as non-operating income in earlier periods.

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About ICRA Nepal Limited:

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