

Ghorahi Cement Industry Limited

Ratings

Facilities	Amount (Rs. Million)	Ratings ¹	Rating Action
Long Term Bank Facilities	8,082.44	CARE-NP BBB- [Triple B Minus]	Reaffirmed and put on Notice of Withdrawal
Short Term Bank Facilities	4,796.45	CARE-NP A3 [A Three]	Reaffirmed and put on Notice of Withdrawal
Total Bank Facilities	12,878.89 (Twelve Billion Eight Hundred Seventy-Eight Million and Eight Hundred Ninety Thousand Only)		
Issuer Rating	NA	CARE-NP BBB- (Is) [Triple B Minus (Issuer Rating)]	Reaffirmed and put on Notice of Withdrawal

CARE Ratings Nepal Limited (CRNL) has reaffirmed and put on notice of withdrawal the issuer rating of "CARE-NP BBB- (Is)" assigned to Ghorahi Cement Industry Limited (GCIL). CRNL has also reaffirmed and put on notice of withdrawal the rating of "CARE-NP BBB-" assigned to the long term bank facilities and "CARE-NP A3" assigned to the short term bank facilities of GVL. The above action has been taken at the request of GCIL and 'No Objection Certificate' received from the consortium lead bank (on behalf of all the banks under consortium facility as well) for the facilities rated by CRNL.

Financial Update

GCIL's total operating income declined by 17.41% year on year to Rs. 4,801 Mn in FY22 (Audited, FY refers to the twelve-month period ending mid-July) from Rs. 5,813 Mn in FY21 on account of sluggish market demand for cement in the country owing to slowdown in construction activities amid lower-than-expected government capital expenditure. Similarly, PBILDT margin of the company also deteriorated to 16.63% in FY22 from 19.73% in FY21 mainly due to diseconomies of scale amid declining operations coupled with relatively high input prices. Debt-equity ratio and overall gearing ratio of the company stood moderate at 1.20x and 1.72x, respectively at FY22 end, increasing slightly from 1.17x and 1.54x at FY22 end amid increased debt levels to fund capacity expansion. The capital structure and debt service coverage indicators of the company are expected to improve over the near term as GCIL has recently concluded IPO of Rs. 3,453 Mn, majority of which is expected to be utilized for repayment of debt.

About the Company

Ghorahi Cement Industry Private Limited (GCIPL) was incorporated in August 6, 2007 and its integrated cement manufacturing plant situated in Dang valley of Western Nepal. The company was converted into public limited company in March 2021 and the name has been changed to Ghorahi Cement Industry Limited (GCIL). GCIL is presently engaged in manufacturing and selling cement with clinker capacity of 1,900 MTPD and grinding capacity of 2,200 and has completed brownfield expansion enhancing clinker capacity of 3,000 MTPD and grinding capacity of 1,400 MTPD.

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com and in other CRNL publications.

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About CARE Ratings Nepal Limited:

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In case of partnership/proprietary concerns, the rating assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Disclosure: Shareholders of Ghorahi Cement Industry Limited are also amongst the shareholders of CARE Ratings Nepal Limited (CRNL). None of the shareholders of CRNL (Including shareholders of Ghorahi Cement Industry Limited) are part of CRNL's rating committee and they do not participate in the rating process. And hence, they didn't have any role in assignment of credit rating of Ghorahi Cement Industry Limited by CRNL.