

## Press Release

### **NUTRI FOODS PRIVATE LIMITED**

**July 2024**

#### Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	146.53 (reduced from 225.00)	IRN BB+	Reaffirmed
Short Term Bank Facilities	545.00 (reduced from 625.00)	IRN A4+	Reaffirmed
Long Term/Short Term Bank Facilities	100.00	IRN BB+/A4+	Reaffirmed
<b>TOTAL</b>	<b>791.53</b>		

*Details of facilities are in Annexure 1 below*

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB+ (Double B Plus) assigned to the long-term bank facilities of NPR 146.53 Mn, rating of IRN A4+ (A Four Plus) assigned to the short-term fund-based bank facilities of NPR 545.00 Mn and IRN BB+/A4+ (Double B Plus / A Four Plus) assigned to long term/ short term non-fund-based bank facilities of NPR 100.00 Mn.

#### Detailed Rationale

The ratings factor in Nutri Foods Private Limited's (NFPL) sound operational and financial profile characterized by healthy revenue growth and improved gearing levels, which has resulted in comfortable coverage indicators. The ratings also continue to remain comforted from the company's established history of operations, experienced management team, and backing by the well-resourced "Sharda Group" as well as its proximity to the Indian border.

However, these rating strengths are continued to be constrained by the risks of raw material price volatility and exposure to regulatory risk, as well as the highly intensive working capital cycle and customer concentration risk. Furthermore, the competitive industry in which the company operates and its seasonal agro products are additional challenges, despite the forward and backward integration with associate companies.

Going forward, the ability of company to further scale up operations while maintaining the margins and improving the working capital cycle, capitalisation and coverage indicators, would remain key rating sensitivities.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

#### Satisfactory financial profile

The company's capitalisation profile remains satisfactory with improved gearing of 1.30x in FY23 (1.85x in FY22). While the company witnessed marginal spike in Total Debt to EBITDA metrics to 8.62x as of mid-April 2024 (7.56x in FY23), mainly owing to margin pressures, its coverage indicators still remain comfortable with interest coverage ratio (ICR) of 1.80x and debt service coverage ratio (DSCR) of 1.67x for 9MFY2024, despite the moderation from 2.45x and 2.14x respectively in FY23.

#### Experienced promoters and a resourceful group with long operational history

NFPL, formerly known as Pashupati Flour Mills Private Limited, has been in operation for over 22 years, specializing in the processing and manufacturing of a diverse range of flour products including baby food (Litto), lentils, and cattle feed. The company also engages in trading various crops. As part of the Sharda Group, NFPL benefits from a robust presence in Nepal across multiple sectors such

as food grain, cement, packaging, spirits, TMT bars, rubber, vehicle trading, and mobile phone accessories.

## Key Rating Weaknesses

### Recent declined in capacity utilisation

The company's capacity utilisation reduced to ~27% for 10MFY2024 (~29% in FY23) compared to an annual average capacity utilisation of ~34% in FY22 when last rated. This was mainly on account of the moderation in economic outlook and subdued demand levels and gradually increasing competition. NFPL's ability to increase its market presence in the existing as well as new markets and hence generate adequate revenues would remain critical for its operational profile.

### Increasing industry competition leading to obstacles in revenue/margins

The agro industry in Nepal is highly fragmented, mainly due to the low entry barriers leading to large number of players and stiff competition from other established manufacturers/brands. NFPL has also witnessed addition of competitors in its geography in recent years, which was earlier subject to relatively lower competition compared to other markets. This could lead to further margin pressures, going forward, as per the trends seen in 9MFY24. Amid the increasing competition and the impact of economic slowdown, the company reported a decline in revenue by ~5% in 9MFY24, while the EBITDA has reported a marked decline to 6.73% in 9MFY24 from 10.15% in FY23. The company's incremental revenue/margins trajectory would remain a key monitorable.

### Agro-climatic risk and import dependence

The major raw materials, wheat and lentils, are subjected to various factors such as agro-climatic risks as well as risk of price fluctuations. These factors can affect the availability and pricing of these raw materials, which would in turn affect the company's margins. Further, domestic producer such as NFPL rely on import for most of the major raw materials sourcing them primarily from India, with lentils additionally imported from Australia and Canada, and some sourced domestically. Any significant upward movement in input prices and/or regulation changes affecting the import of raw material could impact the margins amid the competition, which poses challenges in passing on the price increases to the final customers.

**Analytical Approach:** Standalone

### Applicable Criteria:

[Corporate Credit Rating Methodology](#)

### Past Rating Rationale:

[Nutri Foods Private Limited: Bank Facilities Rating Assigned](#)

### About the Company:

Pashupati Flour Mills was incorporated on September 27, 2001 as a partnership firm (Partners: Mr. Shri Niwas Sharda and Mr. Anupam Rathi) which later converted into Pashupati Flour Mills Pvt. Ltd. (PFMP) on December 03, 2004. Further, PFMP changed its name to Nutri Foods Pvt. Ltd. (NFPL) on July 16, 2006. Its plant is located in Duhabi-02, Sunsari, Nepal. NFPL is a HACCP, ISO 22000:2018 and GMP certified unit. NFPL deals its products under "SUPERMAN", "FORTUNE" and "ANCHOR" brand throughout Nepal from its factory with baby food product under the brand "NUTRILAC".

### Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	9MFY24
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	985	1,292	1,548	1,103

For the year ended* As on	FY21	FY22	FY23	9MFY24
	Audited	Audited	Audited	Unaudited
EBITDA Margin (%)	3.17	7.21	10.15	6.73
Interest Coverage Ratio (x)	1.37	2.30	2.45	1.80
Current Ratio (x)	1.27	1.17	1.30	3.93
Total Debt/GCA (years)	16.62	16.14	7.56	8.62
DSCR (x)	2.23	2.03	2.14	1.67
Overall Gearing Ratio (x)	1.36	1.85	1.30	0.55

\*Classification as per Infomerics Nepal standards

## Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn.)	Ratings
Long Term Bank Facilities- Term Loan	Term Loan	146.53	IRN BB+
Short Term Loan Facilities- Cash Credit Loan/WCL	Short Term	545.00	IRN A4+
Long Term/Short Term Facilities-LC/LG/PBG/BG	Long Term/Short Term	100.00	IRN BB+/A4+
<b>Total Facilities</b>		<b>791.53</b>	

<sup>1</sup> LC= Letter of Credit, PBG= Performance Bank Guarantee and BG= Bank Guarantee, LG = Letter of Guarantee

## Analyst Contacts

### Mr. Utshav Bikram Malla

Tel No.+977-1-4583304/4585906

[utshav.malla@infomericsnepal.com](mailto:utshav.malla@infomericsnepal.com)

### Mr. Sanjeev Dangol

Tel No.+977-1-4583304/4585906

[sanjeev.dangol@infomericsnepal.com](mailto:sanjeev.dangol@infomericsnepal.com)

## Relationship Contact

### Mr. Rabin Pudasaini

Tel No.+977-1-4583304/4585906

[rabin.pudasaini@infomericsnepal.com](mailto:rabin.pudasaini@infomericsnepal.com)

## About Infomerics Credit Rating Nepal Limited:

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## Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: [info@infomericsnepal.com](mailto:info@infomericsnepal.com)



# Infomerics Credit Rating Nepal Limited

Web: [www.infomericsnepal.com](http://www.infomericsnepal.com)

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