PRESS RELEASE

EVEREST PARENTERALS PRIVATE LIMITED

March 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	1,037.04 (Reduced from 1,200.91)	IRN BB-	Reaffirmed
Short Term Bank Facilities	200.00 (Reduced from 225.09)	IRN A4	Reaffirmed
Total	**1,237.04**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB- (Double B Minus) assigned to the long term bank facilities of NPR 1,037.04 Mn and IRN A4 (A Four) to the short term bank facilities of NPR 200.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Everest Parenterals Private Limited (EPPL) continues to derive strength from parentage of experienced/resourceful promoter group "Ranasaria Group" coupled with proficient management team. The ratings also factor in the proximity of the manufacturing unit to Indian border. Furthermore, the reaffirmation of rating is supported by the improving financial profile of the company as characterized by ~53% y-o-y growth in total operating income and improving profitability margin of the company along with increased marketing license of the products.

These rating strengths however are partially offset by leveraged capital structure with weak debt service coverage indicators, modest capacity utilization and small scale of operations, input price volatility risk, exposure to regulatory risk and competition, stabilization risk and working capital intensive nature of business. Going forward, the ability of the company to scale up its operations and attain stabilization while improving its capital structure and debt service coverage indicators with prudent working capital management will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter supported by proficient management team

EPPL benefits from a strong leadership and management team, with the company being part of the Ranasaria Group, having diversified investments in sectors like steel and cement. The board is led by Ms. Neha Agrawal, sole shareholder of EPPL, who has around 2 decades of experience in relevant sector. The management team is led by Mr. Umang Ranasaria, CEO, who has over a decade of experience across Telecom, FMCG, and Pharmaceuticals. Mr. Ranasaria is supported by experienced management team with Mr. Abani Kumar Nanda, Plant Head, having over 2 decades of experience in the pharmaceutical industry. Furthermore, the team is aptly supported by professionally qualified and experienced management team.

Strategic location with marketing & distribution network

The plant site is located in Bara, Nepal around 20 Kms from Indo-Nepal borders ICP Raxual. Since most of the raw materials and packing materials requirements of EPPL are imported from India, the factory's proximity to the border remains a positive point leading to saving in freight cost. Furthermore, EPPL has wide distribution network with around 200 distributors all over Nepal as of mid-February 2025, distributing 100 products (previously 90 products in FY23) across multiple segments (SVP, LVP & ocular) under its own brand name "Everest".

Improving financial performance of the company with geographical diversification
The total operating income increased to NPR 677 Mn in FY24 from NPR 442 Mn in FY23 representing 53% y-o-y growth with increasing sales volume from 15.99 Mn units in FY23 to 20.57 Mn units in FY24. The EBITDA margin increased to 31.62% in FY24 from 3.88% in FY23 mainly due to the allocation of fixed costs in production across the growing sales volume. Similarly, PBT margin and PAT margin increased to 1.51% and 1.18% respectively from negative in FY23. With growing scale of operations, Gross Cash Accruals (GCA) improved to NPR 84 Mn in FY24 from negative in FY23. Furthermore, the performance of EPPL is geographically diversified evident by ~43% sales in Bagmati Province, ~20% in Lumbini Province, 15% in Koshi Province, ~8% in Madhesh Province, ~5% in Gandaki Province and remaining in Sudurpaschim Province of the country.

Key Rating Weaknesses

Limited track record and low scale of operations
EPPL is a new entrant in the pharmaceutical industry in Nepal. FY22 was the first full year of operations where it reported negative GCA. The company's manufacturing unit has been in operations for around 4 years, with relatively low capacity utilisation of ~26% in FY24, however, improving from 18% in FY23 and 11% in FY22. The company ability to report commensurate growth in revenues and market share remains to be seen. The ability of the company to penetrate the competitive geographies and thus improving the revenue margins would remain crucial.

Input price volatility risk and exposure to regulatory risk
Since EPPL is dependent on supply from international big players for its raw material requirement, it remains exposed to volatility in the prices of the raw materials (RM) and packing materials (PM). The RM and PM cost accounted for ~49.45% of Total cost of production during FY24. Furthermore, the import purchase stood high at ~94.14% in FY24, albeit slightly decreased from 98.84% in FY23. The industry being highly regulated by virtue of its direct bearing on the public health, any adverse change in the government/regulatory policies, can impact the business risk profile of the company.

Leveraged capital structure with weak debt coverage indicators
The overall gearing ratio of EPPL remains elevated at 7.39x as of mid-July 2024, deteriorated from 6.57x in FY23 with increase in unsecured loan and short term loan. However, it slightly improved to 4.99x as of mid-January 2025 with increment in tangible net worth. Total debt/ EBITDA improved 6.02x in FY24 from 70.29x in FY23 with increasing profitability. Similarly, DSCR remains modest at 0.80x in FY24 albeit improved from 0.26x in FY23. Interest Coverage Ratio improved to 1.62x in FY24 from 0.12x in FY23 with increasing profitability margin. However, with the improving financial profile of the company and infusion of further equity by the promoters, the capital structure is expected to improve gradually.

Working capital intensive nature of business
Operating cycle of the company was high at 183 days in FY24 and 181 days in FY23, driven by large inventory holding of 159 days in FY24 and 168 days in FY23; EPPL is involved in procuring its raw materials like Active Pharmaceuticals Ingredients (API) and Excipients (Base materials) majorly from India through LC, credit and advances. Further, EPPL has to keep the inventory for smooth operations and extend credit to their dealers, which led to high reliance on working capital limits. Given the nature of business, operations are expected to remain working capital intensive over near to medium term.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

Past rating rationale:
Everest Parenterals Private Limited: Bank Facilities Rating Reaffirmed

About the Company:
Incorporated in January 2010, Everest Parenterals Private Limited (EPPL) is a private limited company established for manufacturing Large Volume Parenterals (LVP) and Small Volume Parenterals (SVP) with ocular products. Its plant is located in Chattapipra-09, Bara, Nepal and has installed capacity of 76.95 MPPA in SVP & ocular segment and 25.65 MPPA in LVP segment. EPPL sell products under major brand "Everest". EPPL belongs to Everest Healthcare Group which is a part of Ranasaria Group where Ms. Neha Agrawal is the sole shareholder of the company.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	6MFY25
	Audited	**Audited**	**Audited**	**Provisional**
Total Operating Income (NPR Mn)	209	442	677	315
EBITDA Margin (%)	Neg	3.88	31.62	26.64
Interest Coverage Ratio (x)	Neg	0.12	1.62	1.62
Total Debt/ EBITDA (x)	Neg	70.29	6.02	NA
Current Ratio (x)	0.85	1.11	1.02	1.57
Overall Gearing Ratio (x)	4.43	6.57	7.38	4.99

**Classification as per Infomerics Nepal standards*
Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities - Term Loan	Long Term	804.04	IRN BB-
Long Term-Permanent Working Capital Loan	Long Term	233.00	IRN BB-
Short Term Bank Facilities-Fund Based and Non Fund Based	Short Term	200.00	IRN A4
Total Facilities		**1,237.04**	

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About Infomerics Credit Rating Nepal Limited:
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