

PRESS RELEASE

SINGAPORE BEVERAGES NEPAL PRIVATE LIMITED

May 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	353.28 (reduced from 399.60)	IRN BB+	Reaffirmed
Short Term Bank Facilities	250.30 (enhanced from 200.40)	IRN A4+	Reaffirmed
Total	603.58		

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 353.28 Mn and IRN A4+ (A Four Plus) assigned to the short-term bank facilities of NPR 250.30 Mn.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Singapore Beverages Nepal Private Limited (SBNPL) reflects the company's steady revenue growth, albeit on a modest scale, supported by stable operating margins. The company has exhibited an improved capital structure and maintained adequate debt coverage indicators, despite a slight moderation. Ratings continue to positively factor SBNPL's expanding distribution network and growing brand presence across Nepal, driven by its flagship products—Jeeru, Nimbu Pani, Fruit Gems, Joiner and Naturals—which have received favorable market responses. The company has further strengthened its product diversification through the recent introduction of its energy drink brand "HIT," enhancing its presence across carbonated soft drinks, fruit-based beverages, and the energy drink segment. SBNPL benefits from a strategically advantageous location near the Indian border, enabling efficient cross-border trade and broader regional market access, although geopolitical and trade-related risks remain a monitorable factor. The ratings continue to derive comfort from the experienced and reputed promoter group, which brings longstanding industry expertise and operational stability to the business.

However, the ratings are constrained by the company's concentrated customer and supplier profile, exposing SBNPL to concentration risks. The ratings are further impacted by a stretched liquidity profile, driven by the inherently high working capital requirements of the beverage manufacturing industry, with significant funds tied up in inventory and receivables. In addition, the company faces pressures from an intensely competitive market landscape, marked by the presence of well-established domestic and international players, including recent multinational entrants in the energy drink and juice segments. The low entry barriers further intensify market competition, putting pressure on pricing and market share. Going forward, SBNPL's ability to sustain revenue momentum, maintain healthy gross margins, manage its working capital cycle prudently, and mitigate stabilization risks through consistent production of quality products will be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Steady revenue base coupled with moderate leverage

SBNPL continues to reflect a sound financial profile, exhibited by steady revenue growth and improving profitability. The company reported a ~4.3% increase in total income to NPR 645 Mn in FY24, driven by consistent demand and a balanced product mix, while maintaining stable EBITDA

margins of 14.54% in FY24 (~14.03% in FY23). Export sales, though modest, are on an upward trend. The capital structure remains moderately leveraged, with gearing improving to 1.39x at the end of FY24 from 1.54x in FY23, supported by healthy internal accruals. Debt coverage indicators remain adequate, although slightly moderated due to increased finance costs—interest coverage ratio declined to 2.58x in FY24 from 2.82x, and DSCR reduced to 2.40x from 2.73x over the same period. Despite these pressures, the overall financial risk profile remains stable, with future strengthening dependent on sustained earnings growth and further reduction in leverage.

Established distribution network with expanding market reach

SBNPL has exhibited commendable market penetration and brand development within a short span since commencing commercial production in 2017. Despite its relatively limited operating history, the company has expanded its footprint across all of Nepal's seven provinces, supported by a well-established distribution network comprising 114 authorized distributors as of mid-January 2025. Its products, marketed under popular brand names such as Fruit Gems, Joiner, Jeeru, Nimbu Pani, and Naturals, have gained significant traction in the Nepalese market, particularly among the youth segment. The company's unique brand positioning in the carbonated soft drinks and juice categories has fueled rapid consumer acceptance.

Product diversification supported by strategic location

SBNPL's strength lies in its well-diversified product portfolio, encompassing 88 SKUs across 13 product lines, including carbonated soft drinks, fruit juices, and an energy drink, which allows the company to cater to a wide range of consumer preferences and seasonal demand variations. While revenue exhibits seasonal concentration, this risk is mitigated to some extent by the company's agility in aligning product offerings with consumption patterns. Additionally, SBNPL enjoys a strategic locational advantage with its manufacturing facility based in Mechinagar, Jhapa District—Nepal's eastern border hub and a key trade corridor with India. This location enables efficient and cost-effective sourcing of raw materials and packaging from international suppliers and ensures streamlined distribution across Nepal and into adjacent Indian markets, enhancing the company's supply chain efficiency and market responsiveness.

Key Rating Weaknesses

High customer and supplier concentration risk

SBNPL is exposed to high customer and supplier concentration risk. In FY24, ~72% of total sales were derived from the top 10 customers (with the top 5 contributing ~55%), indicating high dependence on a limited client base and exposure to counterparty risk in case of payment delays or defaults. Similarly, supplier concentration has increased, with the top 10 suppliers accounting for ~82% of raw material procurement in FY24, up from ~62% in FY23. This elevated dependence on a few vendors and customers may affect operational and financial stability, underscoring the need for greater diversification and robust counterparty risk management.

Stretched liquidity profile

SBNPL has experienced an increase in its working capital cycle, evident in the rise of working capital intensity to ~42% in FY24 (up from ~40% in FY23), primarily due to elevated inventory levels. As a result, the operating cycle extended to 165 days in FY24 from 127 days in FY23, with the average inventory holding period increasing to 117 days from 89 days. The inherently working capital-intensive nature of manufacturing, coupled with slower sales realization, has exerted pressure on the company's liquidity profile and highlights the importance of tighter inventory and receivables management in the near term.

Exposure to intense industry competition and regulatory risks

SBNPL operates in a highly fragmented and competitive beverage industry characterized by the presence of well-established domestic players, recent entry of multinational brands in the energy

drink and juice segments, and low barriers to entry that have intensified market competition. Despite these challenges, the company has been able to grow its sales, reflecting consumer acceptance of its product quality and perceived value. However, the regulatory landscape remains a key risk factor. While the government's 2019 ban on energy drinks and synthetic juices provided short-term support to local manufacturers, frequent and significant changes in excise duties continue to pose a challenge. These changes can increase production costs across the industry and potentially dampen consumer demand or shift preferences toward untaxed or alternative beverage options, thereby affecting the growth trajectory of players like SBNPL.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Singapore Beverages Nepal Private Limited Bank Loan Rating February 2024](#)

About the Company:

Incorporated in 2017, Singapore Beverages Nepal Private Limited (SBNPL), is a beverage manufacturing unit having its plant located at Mechinagar, Jhapa. The company is promoted & led by father son duo of Mr. Ram Krishna Sharma (Ramesh Sharma) and Dr. Aashish Sharma. Since its inception SBNPL was manufacturing carbonated soft drinks only, however, it has recently diversified into production of juice & energy drink. Joiner, Fruit Gems, Jeeru & Nimbu Pani are SBNPL's flagship products.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24
	Audited	Audited	Audited	Audited
Total Operating Income (in NPR Mn.)	435	507	616	642
EBITDA Margin (%)	11.68	10.29	14.03	14.54
Interest Coverage Ratio (x)	12.76	4.67	2.82	2.58
Current Ratio (x)	1.53	1.17	1.44	1.39
Total Debt/EBITDA (x)	1.48	5.46	4.37	4.11
Overall Gearing Ratio (x)	0.39	1.35	1.54	1.39

Earning before Interest Tax Depreciation Amortization (EBITDA)

**Classification as per Infomerics Nepal standards*

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn.)	Ratings
Fund Based Bank Facilities- Term Loan	Term Loan	121.28	IRN BB+
Fund Based Bank Facilities- Proposed Term Loan	Term Loan	180.00	IRN BB+
Fund Based Bank Facilities- Permanent Working Capital Loan	Term Loan	52.00	IRN BB+
Fund Based Bank Facilities-Working Capital Loan	Short Term	200.00	IRN A4+
Non-Fund Based Bank Facilities- LC/BG*	Short Term	50.30	IRN A4+
Total Facilities		603.58	

*Customer Acceptance/Letter of Credit/Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:

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