PRESS RELEASE

CHANDRA SHIV RICE AND OIL MILLS PRIVATE LIMITED

June 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	282.50	IRN BB-	Assigned
Short Term Bank Facilities	467.50	IRN A4	Assigned
Total	**750.00**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB- (Double B Minus) to the long term bank facilities of NPR 282.50 Mn and IRN A4 (A Four) to the short term bank facilities of NPR 467.50 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Chandra Shiv Rice and Oil Mills Private Limited (CSRO) derive strength from its experienced promoter with a strong operational track record of over six decades in the edible oil processing industry. The company is managed by experienced board led by Mr. Santosh Prasad Rijal, who brings over five decades of experience. CSRO has demonstrated a healthy revenue growth trajectory, with a ~16% CAGR over FY20–FY24. Despite some margin pressure, profitability improved with PAT margins rising to 1.38% in FY24 and further to 1.75% in 8MFY25. Financial risk profile remains moderate, supported by improvement in debt coverage indicators. The company also demonstrated improved working capital management, reflected in a reduction in inventory and debtor days in FY24. Furthermore, the stable demand for mustard oil in Nepal, along with strong export demand for mustard cake in India, supports consistent revenues and profitability.

However, the ratings are constrained by the implementation and stabilization risk associated with CSRO's under-construction mustard oil manufacturing unit in Biratnagar, with ~49% financial progress as of mid-March 2025. The project is largely debt-funded, with D/E ratio of ~78:22 and is expected to exert near-term pressure on the capital structure. CSRO's business is inherently working capital intensive, with an elongated operating cycle of 164 days in FY24, although it improved from 222 days in FY23. The company also faces high geographic concentration, with ~67% of its sales in the Koshi province, and operates in a fragmented industry with low entry barriers. Additionally, its complete dependence on imported raw materials exposes it to foreign exchange fluctuations, commodity price, and geopolitical risks, while its exposure to regulatory and trade policy changes, especially with respect to edible oil and export markets like India, may further impact its financial performance. Going forward, scaling operations and improving profit margins through efficient working capital management, along with timely completion and stabilization of the new plant within budget, will be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter with long track record of operations

Established in 1960, CSRO has more than six decades of experience in edible oil processing sector. CSRO is managed under the overall guidance of four-member board of director, chaired by Mr. Santosh Prasad Rijal, having more than five decades of experience in oil processing industry. Mr. Sushil Rijal, Director has over four decades of experience in the sector as well. CSRO's established operational track record, combined with the extensive industry experience of its promoters and a seasoned management team, have been factored as a key rating positive.

Moderate financial risk profile

CSRO's revenue is primarily driven by mustard oil, with additional contributions from mustard cake and seed sales. The company reported a total operating income (TOI) of NPR 857 Mn in FY24, up ~11% YoY, though lower than the peak of NPR 952 Mn in FY22, which was boosted by pandemic-induced supply disruptions. Post-COVID, revenue normalized to NPR 767 Mn in FY23. Despite fluctuations, CSRO achieved a healthy ~16% CAGR over FY20–FY24. In 8MFY25, revenue stood at NPR 738 Mn. EBITDA margins grew steadily during FY20-FY23, reaching 6.65% in FY23 , which dipped to 4.70% in FY24 due to increasing raw material costs. Nevertheless, profitability improved with PAT margin increasing to 1.38% in FY24 (FY23: 0.77%) and reached 1.75% in 8MFY25. Furthermore, interest coverage ratio (ICR) and debt-service coverage ratio (DSCR) remains moderate at ~1.93x in FY24 vis-à-vis 1.29x in FY23 and ~1.72x in FY24 vis-à-vis 1.24x in FY23 respectively. Furthermore, the ICR and DSCR increased to 2.54x and 2.19x in 8MFY25 respectively. Additionally, Total Debt/EBITDA also remained stable at 7.89x in FY24 vis-à-vis 7.71x in FY23.

Positive and stable demand outlook

The demand outlook for mustard oil in Nepal remains stable, driven by its entrenched use in local diets and limited availability of substitutes. Consumption is supported by consistent household usage and growing awareness of traditional and natural oils. Moreover, the by-product mustard cake, a high-protein cattle feed, enjoys strong cross-border demand from India, contributing to revenue diversification and supporting overall profitability.

Key Rating Weaknesses

Implementation and Stabilization risk of under-construction plant; pressurizing capital structure

CSRO is in the process of setting up a new mustard oil manufacturing unit in Biratnagar, spanning ~4 bighas of land. The project is intended to relocate and expand the company's existing mustard oil production capacity. The total project cost is being funded through a debt-to-equity mix of ~78:22. As of mid-March 2025, the project has achieved ~49% financial progress, primarily attributed to land acquisition and completion of civil works. The facility is expected to be operational at the start of FY26. The additional debt incurred for the project will likely exert pressure on the company's capital structure in the near term. Timely completion of the project within the estimated cost, along with successful stabilization of operations, will be key factors in mitigating financial risks and improving the company's credit profile.

Working capital intensive nature of business

The operations of the company are working capital intensive in nature. CSRO is involved in processing of mustard seeds into mustard oil. For this, it has to keep the inventory for smooth operations which led to reliance on working capital limits. The company has a policy of storing raw materials i.e. mustard seeds for a period of 3 to 4 months to avoid any disruptions in its production. As a result, average inventory holding period stood at 128 days in FY24 improving from 177 days in FY23, which was 112days in FY22. Average debtor period stood at 42 days in FY24 improving from 50 days in FY23 which indicates healthy realization of cash from its debtor. Operating cycle of CSRO stood at 164 days in FY24, although improved from 222 days in FY23 as a result of improvement in inventory holding period and realization from debtors.

Geographic concentration and low entry barriers

The main product of CSRO, which is mustard seeds, account for ~64% of total sales. The sales is primarily focused in Koshi province with ~67% of overall sales in FY24, albeit decreased from ~77% in FY23 representing concentration in Eastern region. Furthermore, the fragmented industry is characterized by high competition due to the presence of large-scale rice mills and low entry hurdles for new firms. Any additional large-scale players entering the region could impact CSRO's incremental revenue and profit margins.

High import dependence and exposure to forex and regulatory risks
CSRO's operations are highly dependent on imported mustard oilseeds. The company sources its entire raw material requirement from countries such as Australia, India, and Ukraine, leading to high reliance on imports and supplier concentration risk. The complete dependence on imported raw materials also exposes the company to foreign exchange risks, stemming from currency fluctuations and global commodity price volatility. Additionally, the edible oil industry remains vulnerable to regulatory changes, given its classification as an essential commodity. Any revisions in customs duties affecting the cost of oilseed imports or the pricing of imported edible oils could impact CSRO's profitability and financial position. Furthermore, as the company's oil cake is exported to India, CSRO is also exposed to potential trade policy changes by the Indian government, which could affect its export revenues and overall financial stability.

Analytical Approach: Standalone

Applicable Criteria:
Corporate credit rating methodology

About the Company:
Chandra Shiv Rice and Oil Mills Private Limited (CSRO) was established on July 31, 1960. The company is located in Pokhariya – 03, Biratnagar. CSRO produces mustard oil with the brand name of "GHAILA". The main raw material which is mustard seed is imported from India, Australia, and Ukraine. The mustard oil is then prepared from pure mustard seed by using oil expeller machine. The manufacturing capacity of the machines are ~30 tons per day. The company is involved in the sale of mustard oil, mustard cake, and mustard seeds.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	8MFY25
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	734	952	767	857	738
EBITDA Margin (%)	5.37	6.43	6.65	4.70	4.34
Interest Coverage Ratio (x)	3.84	2.62	1.29	1.93	2.54
Overall Gearing Ratio (x)	2.02	2.27	2.34	1.77	2.33
Total outside liabilities/Tangible Net-Worth	2.96	2.64	2.51	1.90	2.41
Total Debt/ EBITDA (x)	4.97	6.00	7.71	7.89	8.66
Current Ratio (x)	1.75	1.63	1.62	1.53	1.35

*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
Fund Based Bank Facilities- Term Loan	Long Term	170.00*	IRN BB-
Fund Based Bank Facilities – Permanent Working Capital Loan	Long Term	112.50*	IRN BB-
Fund Based Bank Facilities- Short Term Loan	Short Term	250.00*	IRN A4
Non-Fund Based Bank Facilities – Short Term Loan	Short Term	350.30*	IRN A4
Non-Fund Based Bank Facilities – Short Term Loan (Proposed)	Short Term	7.50	IRN A4
Total Facilities		**750.00**	

**At any given time, the above mentioned credit facilities' total utilization shall not exceed NPR 742.50 Mn*

Analyst Contacts

Mr. Girish Bhatta
+977-1-4583304/4585906
girish.bhatta@infomericsnepal.com

Mr. Utshav Bikram Malla
Tel No.+977-1-4583304/4585906
utshav.malla@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini
+977-1-4583304/4585906
rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:
Infomerics Credit Rating Nepal Ltd. is Nepal's third Credit Rating Agency licensed by the Securities Board of Nepal (SEBON) on March, 2022. Infomerics Nepal is a subsidiary of Infomerics Valuation and Rating Private Limited (Infomerics India) which is a SEBI registered and RBI accredited Credit Rating Agency licensed in 2015. Infomerics Nepal aims to provide investors with objective analysis and evaluation of credit worthiness of Banks, NBFCs, Large Corporates and Small and Medium Scale Units (SMUS) via its rating and grading services. Thus, it is playing a key role in serving the financial markets by reducing the information asymmetry among varied lenders and investors and facilitating borrowers/issuers to various fundraising opportunities/avenues. Infomerics observes and maintains ethical standards in its activities. For more information, visit https://infomericsnepal.com/

Infomerics Credit Rating Nepal Limited
Tanka Prasad Marga, Baneshwor Height, Kathmandu
Phone: +977-1-4583304/4585906
Email: info@infomericsnepal.com
Web: www.infomericsnepal.com