PRESS RELEASE

GAURI SHANKAR AGRO INDUSTRY PRIVATE LIMITED

June 2025

Ratings

Instrument/Facilities	Amount (NPR. Mn)	Ratings	Rating Action
Long Term Bank Facilities	1,651.63	IRN BB-	Assigned
Short Term Bank Facilities	4,685.00	IRN A4	Assigned
Total	**4,257.78***		

Details of facilities are in Annexure 1 below

**Combined long-term and short-term facilities capped at NPR 4,257.78 Mn*

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 1,651.63 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 4,685.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Gauri Shankar Agro Industry Private Limited (GSAI) derive strength from the long-standing experience of the promoters in the poultry sector and the operational synergies from the group's vertically integrated operations under the Avinash Group, supporting procurement, distribution, and customer retention. The ratings also factor in the commencement of manufacturing operations from FY25, which has largely mitigated project execution risks, and the healthy capacity utilization of ~56% in poultry feed during H1FY25 indicating operational readiness while the investment in silo storage and backward integration in soya oil supports raw material stability and cost efficiency.

However, the ratings are constrained by the company's limited track record in manufacturing operations, with revenue in FY23 and FY24 generated primarily from trading, leveraged capital structure (gearing at 4.42x as of mid-April 2025), and modest coverage indicators (DSCR at 1.01x in H1FY25). Ratings also factor stretched liquidity, with near-full utilization of working capital limits (~99% as on mid-March 2025) due to elevated inventory and receivables. Ratings also take into account concentrated customer and supplier profile coupled alongside moderate scale and profit margins, which elevates counterparty risk. Rating concerns also arise from inherent risks in the poultry sector, including margin volatility from raw material price fluctuations, disease outbreaks, import dependence, and intense competition due to low entry barriers and industry fragmentation. Going forward, GSAI'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

Part of the established Avinash Group

The company is promoted by Mr. Guna Chandra Bista, founder of Avinash Group, which has more than three decades of experience in the poultry industry. Avinash Group is a well-established conglomerate with a strong presence across multiple sectors, including poultry, LPG, energy, metal and trading. The group has a vertically integrated group focusing on poultry business which are expected to generate synergies in distribution aspects of the business and brand recognition.

Project implementation risk mitigated

The timely execution of the project, with a balanced funding mix structured at a moderate debt-to-

equity ratio of 75:25, reflects the company's execution capability and effective project management. Poultry feed capacity utilization of ~56% in H1FY25 during the initial phase indicates satisfactory operational progress and alignment with market demand. This transition from trading to manufacturing has enabled better control over input quality and cost structure. However, sustained improvement in utilization levels and profitability will be key to ensuring debt-servicing capacity and long-term credit profile stability.

Key Rating Weaknesses

Exposure to stabilization risks amidst early operational phase
GSAI remains exposed to stabilization risks given the nascent stage of its manufacturing operations, which commenced only in FY25. Prior to this, revenue was primarily derived from trading activities, indicating limited operating history in manufacturing. While initial production has commenced, the ability to sustain efficient operations, manage scale, and maintain demand visibility remains to be established. The planned capacity expansion to 360,000 MTPA further accentuates execution and stabilization risks, particularly in terms of aligning production with market absorption, ensuring supply chain coordination, and maintaining prudent working capital management during the scale-up phase.

Leveraged capital structure and modest coverage indicators
The financial risk profile of GSAI remains constrained by a highly leveraged capital structure, with overall gearing at 4.42x and Total Operating Liabilities/Tangible Net Worth at 7.54x as of mid-April 2025, primarily due to the high reliance on debt-funded capex during the initial phase. The company's debt coverage indicators also remain modest, with interest coverage ratio and DSCR at 1.05x and 1.01x, respectively, in H1FY25, reflecting limited cushion in servicing debt obligations. These indicators have moderated from FY24 levels (ICR: 2.29x, DSCR: 1.82x), on account of higher interest burden and still-moderate earnings in the early stage of operations.

Fragmented and competitive nature of industry
The feed industry is highly fragmented, with numerous organized and unorganized players due to low entry barriers and minimal technology and capital requirements. GSAI faces intense competition from large-scale collectors, millers, traders, and wholesalers, given the low differentiation of its products. In this competitive landscape, small and medium-sized manufacturers have limited pricing power, with prices primarily dictated by market dynamics, highlighting the vulnerability of their operations to market fluctuations.

Inherent risk given direct linkage with poultry industry
The business of GSAI is directly tied to the poultry industry, making its risk profile dependent on the industry's performance. Any significant adversities in the poultry sector, such as disease outbreaks or decreased consumption, directly impact feed producers like GSAI.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

About the Company:
Incorporated in July, 2022, Gauri Shankar Agro Industry Private Limited (GSAI) is a manufacturer of poultry pellet feed in Nepal with its factory in Laukhi, Koshi Gaupalika – 01, Sunsari. The company produces a range of poultry pellet feeds tailored for broiler breeders, cattle feeds and aqua feeds. As on mid-April 2025, the company has an annual installed capacity of 144,000 metric tonnes per annum. Ownership of all shares lies with two individual promoters, namely Mr. Guna Chandra Bista (70%) and Mr. Tikaram Pokhrel (30%).

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	H1FY25
	Audited	Audited	Unaudited
Total Operating Income (in NPR Mn.)	1,458	2,284	1,049
EBITDA Margin (%)	4.12	4.71	7.98
Interest Coverage Ratio (x)	9.81	2.29	1.05
Current Ratio (x)	1.01	0.61	0.62
Overall Gearing Ratio (x)	1.36	3.46	4.42
TOL/TNW (x)	2.67	5.85	7.54
Working Capital Intensity (%)	16.62	13.30	NA

*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.)	Ratings
Fund Based Bank Facilities - Term Loan	Term Loan	1,052.10	IRN BB-
Fund Based Bank Facilities - Term Loan (Proposed)	Term Loan	599.53	IRN BB-
Fund Based Bank Facilities- Working Capital Loan	Short Term	1,650.00	IRN A4
Fund Based Bank Facilities- Working Capital Loan (Proposed)	Short Term	370.00	IRN A4
Non-Fund Based Bank Facilities- LC/BG[1]	Short Term	2,150.00	IRN A4
Non-Fund Based Bank Facilities- LC (Proposed)	Short Term	515.00	IRN A4
Total Facilities		**4,257.78[2]**	

[1]*Letter of Credit/Bank Guarantee*

[2]*Combined long-term and short-term facilities capped at NPR 4,257.78 Mn*

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About Infomerics Credit Rating Nepal Limited:

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