

PRESS RELEASE**NATIONAL BIO TECH LIMITED****August 2025****Rating**

Instruments/ Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN B (Is)	Assigned

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN B (Is) [Single B (Issuer)]. Issuers with this rating are considered to have the high risk of default regarding timely servicing of financial obligations.

Detailed Rationale

The rating assigned to National Bio Tech Limited (NBTL) derives comfort from its established moderate track record of operations along with steady financial performance of the company characterized by steady growth in total operating income albeit on modest scale. The rating also takes into account the experienced leadership team with expertise and decades of experience in related field. The rating also factors in diversified revenue profile with company operating in two principal business segments i.e., manufacturing and trading and has strategically diversified its sales operations across five provinces of Nepal ensuring a broad and balanced market presence throughout the country. The rating also considers prudent capital structure of NBTL as reflected by lower overall gearing ratio of 0.11x as of mid-July 2025 (FY24: 0.12x), primarily due to the reduction in term loans previously availed for capital expenditures.

However, these rating strengths are partially offset by the company's small scale of operations coupled with modest profitability margins leaving it sensitive to minor fluctuations. Additionally, the rating also takes into account NBTL's working capital intensive nature of business operations (Working capital intensity of ~128% in FY24 vis-à-vis ~101% in FY23) owing to higher collection period from customers. The rating also considers strong competition faced by NBTL from subsidized inorganic fertilizers, making it difficult to compete on price in a highly price-sensitive market and its exposure to interest rate volatility in Nepal, increasing financial vulnerability.

Going forward, the company's capability to upscale proportionally while upholding financial metrics and solvency standards will remain key rating sensitivities. Also, the timely completion of IPO issuance and utilization of the proceeds as envisaged will remain key monitorable.

Detailed Description of Key Rating Drivers**Key Rating Strengths****Diversified revenue profile**

The company operates in two principal business segments: manufacturing and trading. Trading activities constitute ~70% of the company's overall operations, while the remaining ~30% relates to manufacturing. Within the manufacturing segment, the company specializes in the production of two core products: Bio Compost and Vermi Compost. The trading segment encompasses five key product lines, namely: Bone Meal, Krishi Chun, Pina, Coco Peat, and Compost Bin Sets. The company has diversified its sales operations across five provinces of Nepal: Koshi, Bagmati, Lumbini, Madhesh, and Gandaki, ensuring a broad and balanced market presence throughout the country.

Experienced promoters and management team in the related field

NBTL is led by a team with deep experience across education, biotechnology, energy, agriculture, and industry. Founder Chairman Mr. Shyam Bikram Sijapati brings over 35 years of leadership in education, banking, and energy sectors. Director Mrs. Sunita Sijapati offers over 3 decades of experience in educational leadership and social empowerment. The promoters are supported by a

team of experienced personnel led by Mr. Noorbinda Sijapati. Mr. Sijapati has over a decade of experience in manufacturing industry and completed Bachelor in Mechanical Engineering. He is further supported by a team of qualified personnel across various departments.

Low gearing profile

NBTL has a low overall gearing ratio due to the relatively low level of outstanding loans in the current period. The overall gearing ratio stood low at 0.11x as of mid-July 2025 (0.12x in FY24 and 0.18x in FY23), primarily due to the reduction in term loans previously availed for capital expenditures. With no significant debt plans, the overall gearing is expected to remain below unity in near term. Additionally, interest coverage and debt service coverage ratios have shown improvement, supported by the growth in operating profits, indicating enhanced debt servicing capacity.

Key Rating Weaknesses

Modest financial profile

NBTL has exhibited steady sales growth over the past few years albeit in the modest scale with the total operating income of the company increasing at a CAGR of ~27% during FY22 to FY25 to NPR 73 Mn in FY25. Over the past four years, NBTL EBITDA margin of the company has been on improving trend albeit PAT margin remained modest below 1%. The company's ability to expand its operations and improve its profitability will remain crucial.

Working capital intensive nature of business

The company's working capital intensity has increased significantly over the past four years, rising from 21% in FY22 to 76% in FY25. This increase has been primarily driven by a substantial elongation in the average collection period, which rose sharply from 34 days in FY22 to 218 days in FY25. However, the average collection period showed an improvement in FY25, as a portion of the outstanding receivables was recovered during the year as average collection period reduced from 348 days in FY24. Going forward, the management's ability to effectively manage the working capital cycle will remain a key rating monitorable, given its critical influence on the company's operational efficiency and financial stability

Intense competition and interest rate risk

NBTL is engaged in the manufacturing of organic fertilizers, a sector that faces intense competition from inorganic fertilizers. Inorganic fertilizers in Nepal receive government subsidies, making them significantly cheaper than organic alternatives produced by companies like NBTL. Given that most Nepalese farmers are highly price-sensitive, they tend to prefer subsidized inorganic fertilizers over organic products, further intensifying competition. Additionally, interest rates on deposits and borrowings continue to play a critical role in the Nepalese economy. As per the directives of the Nepal Rastra Bank (NRB), banks and financial institutions (BFIs) revise lending rates periodically. These interest rates have remained highly volatile over the past 2-3 years, exposing NBTL to interest rate risk. This exposure is particularly significant given NBTL's small-scale operations, which makes it more vulnerable to adverse financial impacts.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

National Bio Tech Limited (NBTL) is a Public Limited Company incorporated on October 30, 2014 in the name of National Bio Tech Private Limited. Further the organization has been converted into public limited company on July 09, 2024. It specializes in the production and distribution of high-quality organic fertilizers and complementary agro products, targeting the enhancement of soil health and sustainable farming across Nepal. It is also involved in trading of various other

complementary products related to agriculture with major traded items being bone meal, compost bin seat, *Krishi Chun*, *Pina*, etc. shareholders

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	51	52	58	73
EBITDA Margin (%)	4.44	5.92	7.27	9.55
Interest Coverage Ratio (x)	5.56	2.60	3.53	7.17
Current Ratio (x)	1.17	5.24	6.80	5.17
Overall Gearing Ratio (x)	1.55	0.34	0.12	0.11
Working Capital Intensity	21%	101%	128%	76%
TOL/TNW (X)	3.49	0.36	0.13	0.12

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Total Outside Liabilities/Tangible Net Worth (TOL/TNW)

**Classification as per Infomerics Nepal standards*

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About Infomerics Credit Rating Nepal Limited:

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