

PRESS RELEASE

SHREE DISTILLERY LIMITED

August 2025

Rating

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BB- (Is)	Reaffirmed

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the issuer rating of IRN BB- (Is) [Double B Minus (Issuer)]. Issuers with this rating are considered to have the moderate risk of default regarding timely servicing of financial obligations.

Detailed Rationale

The reaffirmation of the issuer rating of Shree Distillery Limited (SDL) reflects the company's improving scale of operations as exhibited by ~30% y-o-y growth in total operating income (TOI) in FY25, albeit with modest yet improving operating profitability. The rating continues to draw comfort from SDL's debt-free capital structure with entire funding through equity, its established presence of over three decades in the domestic liquor industry, and the experience of its promoters and management team. Further, SDL benefits from the spirit license held by the company, improving capacity utilization, and the protection accorded to the domestic liquor industry by the GoN¹ through high import duties on finished liquors.

Nonetheless, the rating remains constrained by the stabilization risk associated with the management transition in 2021, with the company's performance hinging on its ability to successfully position newly planned product launches across various UP² segments in FY26. SDL's margins are further exposed to the steadily increasing excise duties and other taxes on alcoholic products, coupled with its limited pricing flexibility amid competitive market dynamics. Going forward, the company's ability to achieve healthy market acceptance of its new offerings, efficiently manage its working capital cycle, and successfully execute the proposed IPO will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established brand presence with exclusive spirit production license

SDL's established presence of over three decades across Nepal supports its demand visibility, further reinforced by the strong brand equity of its trademarks "Mount Everest" and "Gorkhali Rum," which enjoy wide recognition and require limited incremental marketing efforts. The company's competitive positioning is also strengthened by its spirit production license, held by only 8 out of 112 registered distilleries in Nepal, which provides exclusivity and enhances both its market presence and operational flexibility.

Unlevered capital structure

SDL has upheld an unlevered capital structure, relying exclusively on equity funding. The company has maintained a debt-free position, with all of its capital being contributed by equity shareholders. This approach reflects a conservative financial strategy, minimizing financial risk and interest obligations, while also providing the company with greater flexibility in managing its operations and growth initiatives

¹ Government of Nepal

² Under Proof

Key Rating Weaknesses

Stabilization risk

Following the management change in 2021, SDL is in the process of revitalizing its operations and re-establishing its competitive positioning, though its performance remains contingent on the successful execution of its growth plans. At present, the company is focused on the lower segment (70 UP) products; however, it intends to diversify into higher category brands such as 40 UP, 30 UP, and 25 UP, alongside reintroducing its original flagship brand, Mount Everest, over the coming years. The ability of the new management to achieve meaningful market penetration with these launches, coupled with the successful subscription of the proposed IPO, will be critical to shaping the company's future growth trajectory and credit profile.

Small scale of operations albeit improving revenue trend

SDL's scale of operations remains modest; however, its revenue trajectory has shown improvement post the management change in 2021, supported by its focus on lower-segment products (70 UP) during the initial phase. The company recorded a ~30% y-o-y growth in TOI to NPR 235 Mn in FY25 from NPR 181 Mn in FY24, while the EBITDA margin, though modest, improved to 1.34% in FY25 from a negative 3.17% in FY24 on the back of better realizations. Going forward, SDL's strategy to diversify into higher-category brands such as 40 UP, 30 UP, and 25 UP is expected to aid scale-up, strengthen realizations, and improve profitability.

Regulatory Risk

SDL remains exposed to regulatory risks inherent in the liquor industry, with the GoN imposing stringent measures on production, distribution, and sales to curb illicit practices and safeguard consumer interests. These include stricter licensing requirements, frequent hikes in excise duties, and rigorous quality compliance, with any non-adherence potentially resulting in financial penalties, legal actions, or even license cancellation. While high import tariffs on finished liquors currently provide a protective barrier for domestic producers, any relaxation could adversely impact SDL's revenues, profitability, and debt coverage indicators. Furthermore, the liquor industry's status as one of the most heavily taxed sectors in Nepal, coupled with restrictions on promotion and distribution and limited ability to fully pass on cost escalations amid competition, heightens pressure on operating margins.

Analytical Approach: Standalone

Applicable Criteria:

[Issuer Rating Methodology](#)

Past Rating Rationale:

[Shree Distillery Limited: Issuer Rating Assigned](#)

About the Company:

Incorporated on April 6, 1986, Shree Distillery Limited (SDL) converted to a public limited company on July 11, 2022 is situated in Arunkhola, Nawalpur, Nepal and operates on 10 bigha of owned land. In 2021, SDL underwent a management change, strengthening its operations. With both a distillery and spirit production license, SDL has a total installed capacity of 1.70 Mn cases per annum and manufactures liquors only in the 70 UP & 50 UP segment as of mid-July 2025. Additionally, it is licensed to produce up to 8,000 kiloliters of spirit annually.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	3	82	181	235

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Unaudited
EBITDA Margin (%)	Neg	Neg	Neg	1.34
Interest Coverage Ratio (x)	NA	Neg	NA	8.34
DSCR (x)	NA	10.27	18.87	12.40
Overall Gearing Ratio (x)	0.03	NA	NA	NA
TOL/TNW (x)	0.58	0.14	0.04	0.05

*Classification as per Infomerics Nepal standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

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

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About Infomerics Credit Rating Nepal Limited:

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