

PRESS RELEASE

HULAS KHADYA UDHYOG LIMITED

December 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	298.86	IRN B	Assigned
Short Term Bank Facilities	420.30	IRN A4	Assigned
Total	719.16		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN B [Single B] to long term bank facilities of NPR 298.86 Mn and IRN A4 [A Four] to short term bank facilities of NPR 420.30 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Hulas Khadya Udhog Limited (HKUL) draw comfort from the company's operational track record of over three decades, the promoters' extensive industry exposure, and the strategic backing from the Hulas Group, which provides meaningful technical and managerial support. The ratings further factor in the inherently stable demand for the company's product range, which comprises staple food items widely consumed across Nepal. Owing to the essential nature and consistent household use of these products, demand visibility remains firm, lending stability to the company's revenue profile over the medium term.

However, the ratings remain constrained by the company's weakened financial performance over the last three fiscal years ending FY25, characterized by consecutive net losses. Revenues declined sharply in FY23 and FY24 due to prolonged labor unrest that halted operations following disputes between management and the labor union, while fixed overheads continued to accrue, resulting in operating-level and net losses. Although production resumed in FY25 after the labor issue was resolved through a formal agreement, enabling a recovery in revenue, the operating margin remained marginally negative owing to residual cost pressures and subdued absorption of fixed expenses. The ratings are further impacted by HKUL's highly leveraged capital structure and weak debt coverage indicators, with sustained losses eroding its net worth. Liquidity remains stretched, as reflected in high working capital intensity, which, despite moderating to ~82% in FY25 from ~133% in FY24, continues to constrain financial flexibility. Additionally, the company remains exposed to raw material price volatility, the seasonal nature of agro-based commodities in a fragmented market, and regulatory risks. Going forward, the company's ability to sustain harmonious labor relations, scale up revenues while improving margins, and strengthen its capital structure through prudent cash flow management will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter group with established operating track record

Incorporated in 1991, HKUL benefits from long operational history of more than three decades and guidance of an experienced three-member Board of Directors comprising seasoned businessmen and industrialists with long-standing exposure to the manufacturing and trading sectors. The company is chaired by Mr. Chandra Kumar Golchha, who brings over three decades of industry experience, providing strategic direction to the business. The promoters are further supported by a team of technically qualified and experienced professionals overseeing day-to-day operations. HKUL also

draws comfort from its association with the Hulas Group, a well-established business house with a longstanding presence across multiple sectors.

Stable demand for supplied products

HKUL benefits from the inherently stable demand for its product portfolio, which includes flour, beaten rice, refined wheat flour and related items that form staple components of the Nepalese diet. Given the essential nature and regular consumption of these products, demand visibility remains strong, supporting revenue stability over the medium term.

Key Rating Weaknesses

Deteriorating financial performance

HKUL's financial performance has weakened over the past three fiscal years ending FY25, marked by consecutive net losses during the period. The company's revenue declined sharply to ~NPR 137 Mn in FY23 and ~NPR 151 Mn in FY24 from NPR 380 Mn in FY22, primarily attributable to prolonged labor unrest that halted production following disputes between the management and labor union. While production remained suspended, fixed overhead costs continued to accrue, resulting in negative PAT and operating losses in both years. Although the labor issues were resolved in FY25 through a formal agreement, enabling the resumption of operations and supporting a recovery in revenues to ~NPR 463 Mn, the operating margin remained marginally negative given the lingering impact of earlier disruptions and elevated fixed cost absorption.

Highly leveraged capital structure with weak debt coverage metrics

HKUL's capital structure continues to remain highly leveraged, reflected in an overall gearing of 9.28x in FY25 (9.29x in FY24), driven by sustained net losses over the past three fiscal years, which have eroded the company's net worth. The Total Outside Liabilities to Tangible Net Worth ratio also remained elevated at 11.17x in FY25 (10.85x in FY24), indicating a high dependence on external liabilities. The company's debt-servicing ability remains severely constrained, with debt coverage indicators deteriorating further owing to negative operating profitability highlighting the strained cash flows and weak financial flexibility.

Stretched liquidity profile

The company's liquidity position remains stretched, as reflected in its high working capital intensity, which, despite moderating to ~82% in FY25 from ~133% in FY24, continues to weigh on its financial flexibility. The elevated working capital requirement is primarily driven by sizeable inventory levels and higher receivables. While the average collection period improved to 150 days in FY25 from 262 days in FY24, debtor realization remains relatively slow. Similarly, the inventory holding period, although reduced to 100 days in FY25 from 232 days in FY24, continues to remain high. Consequently, the operating cycle, despite moderating to 201 days in FY25 from 328 days in FY24, remains elongated, highlighting the stretched liquidity profile.

Seasonal agro products in competitive industry

Being an agricultural commodity, planting, production, and prices are highly influenced by the timing and intensity of the monsoon rain, as well as the area being produced, the yield for the year, the demand-supply situation, and inventory carryover from the previous year. Further, milling industry is highly fragmented due to presence of several organized/ unorganized players owing to low entry barrier and low capital requirement.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

Incorporated on August 06, 1991, Hulas Khadya Udhog Limited (HKUL), previously known as Himanshu Khadya Udhog Private Limited, was converted into a public limited company on July 06, 2025. The company is engaged in the processing of paddy and wheat into beaten rice, refined wheat flour, broken rice, suji, rice bran and related products. HKUL's manufacturing facility is located at Kohalpur-14, Banke, Nepal. HKUL markets its products under various registered brand names, including Agrim Chakki Atta, Agrim Chiura, Agrim Maida, Agrim Mill Atta and Agrim Suji. Ownership of all shares lies with 14 individual promoters with major shares held by Mr. Chandra Kumar Golchha (63.00%) and Mr. Sarad Golchha (10.00%).

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	380	137	151	463
EBITDA Margin (%)	7.29	Negative	Negative	Negative
Interest Coverage Ratio (x)	1.22	Negative	Negative	Negative
Current Ratio (x)	0.81	0.59	0.60	0.92
Total Debt/GCA (years)	46.25	Negative	Negative	Negative
Overall Gearing Ratio (x)	2.68	4.49	9.29	9.28
TOL/TNW (x)	3.26	5.76	10.85	11.17
Working Capital Intensity (%)	49.60	93.35	133.34	81.85

*Classification as per Infomerics Nepal standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

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

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Term Loan	298.86	IRN B
Fund Based Bank Facilities-Working Capital Loan	Short Term	420.00	IRN A4
Non-Fund Based Bank Facilities- Bank Guarantee	Short Term	0.30	IRN A4
Total Facilities		719.16	

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About Infomerics Credit Rating Nepal Limited:

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