

PRESS RELEASE

MUKTINATH KRISHI COMPANY LIMITED

December 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB (Is)	Assigned
Total	NA		

Details of facilities are in Annexure 1 below

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

Detailed Rationale

The rating assigned to Muktinath Krishi Company Limited (MKCL) derives strength from the strong institutional backing of its promoter, Muktinath Bikas Bank Limited, and the presence of an experienced and well-diversified board of directors with extensive expertise across banking, finance, microfinance, agriculture, social development and public policy. The rating also factors in MKCL's stable revenue growth and improving scale of operations, with total operating income (TOI) increasing from ~NPR 400 Mn in FY23 to ~NPR 818 Mn in FY25. Although operating profitability moderated during the expansion phase, net profitability improved significantly in FY25, supported by scale benefits and higher non-operating income. Furthermore, the company's moderate and comfortable capital structure, reflected by low gearing, improving net worth, strong debt service coverage, and healthy cash accruals, provided financial flexibility.

However, the rating remained constrained by MKCL's high product concentration, with a significant portion of revenues derived from agriculture machineries and tools, exposing the company to demand and segment-specific risks. The rating also takes into account the moderate working capital intensity, marked by elongated receivable and inventory cycles, exerting pressure on liquidity. Additionally, the company faces a heightened competitive intensity from players given the absence of major entry barriers in the industry and fragmented nature of industry. Going forwards, MKCL's ability to diversify and enhance its revenue profile, effectively manage working capital requirements, and sustain profitability amid competition will remain key rating sensitivities. Furthermore, the ability of the company to timely complete the right issue and utilization of the proceeds as envisaged will remain key monitorable.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong and experienced promoters in the related field

MKCL is promoted by Muktinath Bikas Bank Limited (MNBBL), a national-level Class B development bank, providing strong institutional support. The company is guided by an experienced and well-diversified Board of Directors comprising Mr. Sitaram Kaple (Chairperson) with over 26 years of experience in financial and corporate management, Mr. Bharat Raj Dhakal (Managing Director) with more than 20 years of experience and former CEO of MNBBL for 12 years. Also, other board members possess extensive experience across various industries. This experienced management and governance structure supports MKCL's operational stability and strategic direction.

Moderate financial profile

TOI of MKCL increased at a CAGR of ~27% during 3FYs (FY23-FY25) to NPR 818 Mn in FY25, reflecting a robust growth. While revenue growth remained resilient, operating profitability moderated, with

EBITDA margin declining from 9.31% in FY23 to 8.85% in FY24 and 7.78% in FY25, indicating some pressure on operating efficiency amid scale-up. Nevertheless, net profitability improved, as reflected by the PAT margin increasing from 1.86% in FY23 to 2.11% in FY24 and significantly to 9.85% in FY25, largely supported by improved scale and a substantial rise in non-operating income, including gains from the sale of investments.

Total debt remained modest at ~ NPR 152 Mn, resulting in a comfortable gearing of 0.20x as of mid-July 2025, broadly stable compared to 0.21x in FY23 and 0.24x in FY24. Debt servicing indicators strengthened, with DSCR improving to 4.63x in FY25 from 2.37x in FY24 and 2.70x in FY23. Interest coverage. Gross Cash Accruals increased significantly to around NPR 114 Mn in FY25 from about NPR 34 Mn in FY24 and NPR 27 Mn in FY23, leading to a marked improvement in Total Debt to GCA ratio to 1.33x in FY25 from 4.37x in FY24.

Key Rating Weaknesses

Product concentration risk

MKCL exhibits high product concentration, with revenues predominantly derived from agriculture machineries and tools, which have remained the dominant segment over the years. Agriculture machineries and tools contributed nearly 71% of revenues in FY23, 69% in FY24, 68% in FY25, and increased sharply to about 92% in Q1FY26, highlighting elevated concentration risk. Other segments such as fertilizers and chemicals, plastic irrigation, dairy and livestock, and seeds and seedlings offer limited diversification and remain relatively small contributors. While the company has achieved healthy sales growth, its revenue profile continues to be highly dependent on a single product segment.

Working capital intensive nature of operations

MKCL's operations are inherently a working capital intensive, characterized by extended receivable and inventory cycles. The average collection period increased to 184 days in FY25 from 150 days in FY24 and 83 days in FY23, while inventory holding remained elevated at 161 days in FY25 compared to 159 days in FY24 and 123 days in FY23. The company's rapid market expansion has elevated working capital needs, leading to a higher reliance on working capital limits.

Fragmented nature of industry

MKCL operates in a large but highly fragmented agricultural industry, characterized by the presence of numerous small and regional players. This results in intense competition and limits pricing power, which can exert pressure on operating margins. Additionally, the absence of any major entry barriers and the dependence of seasonal demand make revenue stabilization a key concern.

Analytical Approach: Standalone

Applicable Criteria:

[Issuer Rating Methodology](#) & [Corporate Credit Rating Methodology](#)

About the Company:

Muktinath Krishi Company Limited (MKCL) was established as a public limited company in August 30, 2018 and is involved in supplying both agricultural products and services all over Nepal through its regional officer. The major products they deal with comprises dairy and livestock products, fertilizers and chemicals, agriculture machineries and tools, plastics for irrigation and seeds and seedlings. The company's headquarters is located in Kathmandu and it has regional offices in Ithahari, Bardibas, Chitwan, Pokhara, Butwal, Surkhet and Dhangadi. Muktinath Bikas Bank Limited is the majority shareholder as of mid-July 2025, holding ~22% of the equity shareholding.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25
	Audited	Audited	Audited
Total Operating Income (NPR Mn)	400	681	818
EBITDA Margin (%)	9.31	8.85	7.78
Current Ratio (x)	2.80	2.33	1.68
DSCR (x)	2.70	2.37	4.63
Interest Coverage Ratio (x)	3.06	2.28	2.03
Overall Gearing Ratio (x)	0.21	0.24	0.20
TOL/TNW	0.40	0.52	0.74

Earnings before Interest Tax Depreciation Amortization (EBITDA)

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

Debt Service Coverage Ratio (DSCR)

**Classification as per Infomerics Nepal standards*

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About Infomerics Credit Rating Nepal Limited:

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