

PRESS RELEASE

SHIV SHAKTI CHEMOPLAST PRIVATE LIMITED

January 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	62.16 (enhanced from 46.88)	IRN BB+	Upgraded from IRN BB
Short Term Bank Facilities	670.00 (enhanced from 620.00)	IRN A4+	Upgraded from IRN A4
Total	732.16		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating assigned to long-term bank facilities of NPR 62.16 Mn to IRN BB+ (Double B Plus) from IRN BB (Double B) and short-term bank facilities of NPR 670.00 Mn to IRN A4+ (A Four Plus) from IRN A4 (A Four).

Detailed Rationale

The upgradation of the ratings assigned to the bank facilities of Shiv Shakti Chemoplast Private Limited (SSC) primarily factors in the sustained improvement in the company's operating scale and profitability as reflected by the growth in total operating income at a CAGR of ~11% during FY23-FY25, along with improved profitability in FY24 and FY25. The ratings continue to derive comfort from SSC's long operational track record and the parentage of the experienced Shiv Shakti Group. The ratings are further supported by the company's moderate capital structure, improved debt coverage indicators and its strategic location near the Indo-Nepal border, which facilitates efficient logistics and supports sizeable export sales to India.

However, these strengths are partly constrained by the company's high dependence on imported raw materials, exposure to raw material price volatility and foreign exchange risks and the working capital-intensive nature of operations. The ratings also factor in the capital- and labor-intensive characteristics of the plastic manufacturing industry and competition from import traders. Going forward, growth in scale of business along with improvement in profitability margins without deterioration in leverage profile and debt protection metrics with efficient working capital management will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Percentage of experienced promoter group along with long track record of operations

SSC has been in operation for more than two decades in manufacturing of Polypropylene (PP) packaging materials. Further, SSC is a part of Shiv Shakti Group (operation from 1987) and takes on the role of manufacturing of PP Woven Fabrics, PP Woven sacks, Multi-layer Sheet etc. Mr. Rahul Kumar Agrawal is the director of the company and also the managing director of Shiv Shakti Group, and is involved in various industries since 1996. Further, he is supported by experienced and qualified management team.

Moderate financial risk profile supported by improving operational indicators

Total operating income of SSC improved from NPR 925 Mn in FY23 to NPR 1,007 Mn in FY24 and further to NPR 1,149 Mn in FY25, supported by a recovery in both domestic and export demand. The average capacity utilization improved from ~52% in FY23 to ~64% in FY24 and ~65% in FY25. EBITDA margin improved from 1.03% in FY23 to 7.75% in FY24, before moderating to 5.84% in FY25, while PAT turned positive at NPR 21 Mn in FY24 and increased to NPR 24 Mn in FY25. The

company's ability to scale up its business along with improvement in its profitability margin will remain a key monitorable. Also, SSC maintained a moderate capital structure, with the overall gearing ratio at 1.27x at the end of FY25, slightly higher than 1.25x at the end of FY24 mainly due to higher utilization of working capital loan limits. Long-term debt-to-equity ratio of 0.38x in FY25, reflecting limited reliance on external financing. Debt coverage indicators improved substantially, with interest coverage rising from 0.37x in FY23 to 6.19x in FY25, and DSCR improving to 5.40x in FY25, reflecting improved cash accruals and enhanced debt servicing ability.

Strategic location with sizeable exports to India

The factory site is located in Chorni of Parsa district, proximity to Indo-Nepal border, has led to saving in freight cost, as the majority of raw materials requirements are supplied through India. The vicinity to major ICP¹ at Birgunj remains positive from the logistics perspective due to lower lead time. Further, SSC has also been exporting its product to India. In FY24, export sales contributed ~61% of total sales, but this share marginally decreased to ~59% in FY25. Despite this decline in percentage, the total value of export sales saw an increase, rising from ~NPR 614 Mn in FY24 to ~NPR 675 Mn in FY25 (FY23: ~NPR 537 Mn).

Key Rating Weaknesses

High reliance on import and raw material price volatility risk

The major raw materials for SSC is imported from various countries accounting for ~96% of total raw materials procured in FY25², for which prices are market linked and set on a periodic basis. The company also procures raw materials in USD, exposing it to foreign exchange fluctuation risks. However, the extent of this risk appears to have minimal impact as indicated by a foreign exchange loss of ~NPR 0.3 Mn in FY25. Further, the raw material cost contributes ~78% of TOI of the company and hence any fluctuation in the price is expected to impact the profitability of the company. Also, SSC is constrained by regulatory risk arising from various laws and policies in both Nepal and India. If there are any unfavorable changes in tariffs, it could potentially have a negative impact on its financial profile going forward.

Working capital intensive nature of business

Manufacturing industries are considered as highly working capital-intensive industry, as most of the funds are blocked in the production process. The average collection period and inventory holding of the company stood at over ~2 months each given the company's generous credit policy and sizable inventory holding as most of the products are imported. Average creditor period is generally low as purchases from foreign countries are backed by LC. This leads to an overall operating cycle of the company of around 2-3 months during FY24 and FY25 leading to high reliance of the company on bank finance for the working capital needs. The utilization of working capital loans against the drawing power of the company as on mid-July 2025 stood at ~95% with moderate working capital intensity of ~25%.

Labor and capital concentrated industry

The plastic industry requires significant investments in both capital and labor. Plastic weaving, in particular, relies on a variety of machines, which entail substantial capital expenditure. In recent years, SSC has upgraded its production facilities by investing in modern machinery to improve efficiency and product quality. Moreover, sourcing skilled manpower to operate these machines presents a significant obstacle. Additionally, the industry faces persistent competition from import traders in Nepalese market, raising concern about the potential for incremental revenue and growth.

Analytical Approach: Standalone

¹ Indian Integrated Check Post

² During FY25, ~89% of the import was from India, 7% from other countries.

Applicable Criteria:

[Bank Loan Rating Methodology](#)

Past Rating Rationale:

[Shiv Shakti Chemoplast Private Limited: Bank Facilities Rating Assigned](#)

About the Company:

Gadiya Chemoplast Private Limited, later renamed Shiv Shakti Chemoplast Private Limited (SSC) was incorporated on May, 2002 for manufacturing and exporting of Polypropylene (PP) woven fabrics and sacks, tarpaulins, natural fabrics, color fabrics etc. SSC is part of Shiv Shakti Group, managed by Mr. Rahul Kumar Agrawal. The company has total installed capacity of 8,500 MTPA for PP Woven Fabric and 1,500 MTPA for PP Woven Sacks. Also, SSC is ISO Certified 9001:2015 for Quality Management system certified by Quality Austria.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (in NPR Mn.)	1,033	1,131	925	1,007	1,149
EBITDA Margin (%)	9.81	4.65	1.03	7.75	5.84
Interest Coverage Ratio (x)	26.36	4.39	0.37	3.68	6.19
Total Debt/ EBITDA (x)	1.27	3.44	20.68	0.37	1.05
DSCR (x)	21.06	3.86	0.67	3.27	5.40
Current Ratio (x)	1.29	1.24	1.29	1.28	1.39
Overall Gearing Ratio (x)	0.80	1.03	1.67	1.25	1.27

*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	Long Term	62.16	IRN BB+
Fund Based Bank Facilities- Short Term Loan	Short Term	420.00*	IRN A4+
Non-Fund Based Bank Facilities- LC/BG ³	Short Term	670.00*	IRN A4+
Total Facilities		732.16	

*Short Term fund-based limit is within the interchangeable limit of non-fund-based limit with maximum of NPR 420.00 Mn.

Analyst Contacts

Ms. Samigya Acharya

Tel No.+977-1-4583304/4585906

samigya.acharya@infomericsnepal.com

Mr. Utshav Bikram Malla

Tel No.+977-1-4583304/4585906

utshav.malla@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini

Tel No.+977-1-4583304/4585906

rabin.pudasaini@infomericsnepal.com

³ Letter of Credit/Bank Guarantee

About Infomerics Credit Rating Nepal Limited:

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Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com

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