

PRESS RELEASE

SWASTIK OIL INDUSTRIES PRIVATE LIMITED

February 2026

Ratings

| Instrument/Facilities | Amount (NPR Mn) | Ratings | Rating Action |
|----------------------------|--------------------------------------|---------|---------------|
| Long Term Bank Facilities | 1,454.15 (reduced from 1,559.50) | IRN BB- | Reaffirmed |
| Short Term Bank Facilities | 8,606.00 (enhanced from 7,586.00) | IRN A4 | Reaffirmed |
| Total | 10,060.15 | | |

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB- (Double B Minus) assigned to the long-term bank facilities of NPR 1,454.15 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 8,606.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Swastik Oil Industries Private Limited (SOI) continues to derive strength from the company's established operational presence in the edible oil industry, supported by an experienced promoter group and management team. With more than three decades of operations, SOI benefits from being a part of the KL Dugar Group, a well-established and diversified corporate group with presence across food grains, packaging, hydropower, cement, construction and banking sectors. The group association provides operational synergies, supply chain support, market access and financial flexibility. SOI also benefits from established brand recognition through brands such as Swastik, Dhara and Sunflow, in both domestic market and export to the Indian market, supporting its revenue diversification and market reach.

However, the credit profile remains constrained by the SOI's fluctuating financial performance in recent years, although performance has improved in FY25 marked by improving total operating income and profitability metrics. The capital structure remains weak, characterized by negative net worth and high reliance on debt funding, mainly driven by past operating losses and working capital borrowings. The business also remains highly working-capital intensive due to inventory requirements and credit cycles. Further, the company is exposed to inherent industry risks such as raw material price volatility, foreign exchange fluctuations due to import dependence, seasonal availability of agro-based raw materials and intense competition from both organized and unorganized players.

Going forward, SOI's ability to improve capacity utilization, sustain profitability, improve net worth position, rationalize debt levels and effectively manage risks related to raw material prices and currency movements will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established and long track record of operations with experienced promoters and management personnel

SOI has been in operation for more than three decades in edible oil industry. Further, SOI is a part of KL Dugar Group having strong presence in Nepal through their group entities in various industries like food grain, packaging, herbal extraction, hydropower, cement, construction and banking & finance etc. Mr. Vikas Dugar, Chairman, has over two decades of experience in trade and industry. He is also Joint Managing Director at KL Dugar Group and holds directorship in various other group companies.

Strong brand recognition backed by established and prominent corporate group

Through its affiliate company, KL Dugar Group supplies more than 180 product base which includes rice, pulses, cereal, baby food, spices, tea, flours, edible oil and other food grains in different packages from its own sales depots located at different geographical regions. SOI sells these edible oils under different brand names of Swastik, Dhara, Sunflow, Sangam and Bigul in the domestic and international market. Established brand image backed by the longstanding experience of promoters is further expected to reduce the impact of competition induced volatility in prices and maintain a significant presence in the Nepalese market with healthy turnover.

Key Rating Weaknesses

Fluctuating financial performance

SOI's financial performance has been volatile over the past few years due to regulatory changes, market dynamics and operational challenges. The company derives revenue primarily from the sale of refined sunflower oil, soybean oil, mustard oil, palmolein and vegetable ghee. Total Operating Income (TOI) improved significantly to NPR 14,362 Mn in FY25 from NPR 6,234 Mn in FY24, largely driven by higher exports to India following an increase in India's import duties on refined oils, which enhanced Nepal's competitive advantage. This resulted in improvement in export sales to NPR 6,925 Mn in FY25 from NPR 358 Mn in FY24 (FY23: NPR 627 Mn). SOI has booked revenue of NPR 6,151 Mn till 5MFY26 which constitutes ~47% of export sales. Capacity utilization increased to 36% in FY25 from 18% in FY24, reflecting better operational efficiency. Profitability improved, with EBITDA margin recovering to 5.56% in FY25 from negative margins in FY23 and FY24 and PAT margin turning positive at 1.33% due to higher sales volumes and improved cost absorption. Gross Cash Accruals (GCA) also turned positive at NPR 244 Mn in FY25 from negative in FY24 and FY23. Moving forward, SOI's ability to improve capacity utilization and enhance profit margins will be critical to its credit profile.

Weak capital structure and debt coverage indicators

SOI's financial structure has weakened over recent years, primarily due to sustained operating losses and high reliance on working capital financing. Tangible net worth remained negative in FY24 and FY25, though slightly improved in FY25 after capital infusion by promoter amounting to NPR 320 Mn. Overall gearing remained elevated due to increased borrowings for working capital and accumulated losses eroding the equity base. Debt coverage indicators remain weak, with total debt to GCA at 30.92 years and interest coverage ratio at 1.78x in FY25, though both have improved from negative levels in the FY23 and FY24, supported by recovery in EBITDA and operating performance. The company has maintained liquidity through inter-company support from sister concerns, which has helped meet financial obligations and ensure operational continuity. The weakened capital structure and high leverage highlight the need for improved profitability and better capital management to strengthen financial stability.

Working capital intensive nature of business

SOI operates a highly working capital intensive business due to import dependence for key raw materials such as crude edible oils and rapeseed from multiple global markets. Raw materials are procured through Letters of Credit with extended usance periods. The company maintains significant inventory to ensure uninterrupted production and meet both domestic and export demand. In FY25, average inventory period stood at 77 days and average collection period at 32 days, while creditor period remained low, resulting in an operating cycle of 107 days. The intensive working capital requirements are driven by long import lead times, inventory holding needs to meet export and domestic demand, which together strain liquidity and increase dependence on bank finance.

Seasonal agro products in competitive industry

Prices of edible crude oils are highly volatile in nature and being an agro products these are seasonal in nature with production and prices dependent on various factors like area under production, yield for the year, demand supply scenario and inventory carry forward of last year. Further, import and

processing/refining of edible oils 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](#)

Past Rating Rationale:

[Swastik Oil Industries Private Limited: Bank Facilities Rating Assigned](#)

About the Company:

Swastik Oil Industries Private Limited (SOI) is a private limited company incorporated on December 11, 1984 for processing/refining of edible oils, having plant in Biratnagar-09, Morang, Nepal. The total installed capacity for refined soyabean/ palmolien/ sunflower oil along with vegetable ghee is 135,000 MTPA and 10,000 MTPA for mustard oil. SOI is promoted by KL Dugar group, having more than three decades of operational track record across various sectors.

Financial Indicators (Standalone)

| For the year ended* As on | FY22 | FY23 | FY24 | FY25 |
|---------------------------------|---------|----------|----------|----------|
| | Audited | Audited | Audited | Audited |
| Total Operating Income (NPR Mn) | 12,512 | 7,023 | 6,234 | 14,362 |
| EBITDA Margin (%) | 5.87 | Negative | Negative | 5.56 |
| Interest Coverage Ratio (x) | 6.47 | Negative | Negative | 1.78 |
| Total Debt/ EBITDA (x) | 2.69 | Negative | Negative | 9.44 |
| Current Ratio (x) | 1.09 | 0.85 | 0.81 | 0.88 |
| Overall Gearing Ratio (x) | 1.29 | 98.14 | Negative | Negative |

*Classification as per Infomerics Nepal standards

EBITDA: Earnings Before Interest Tax Depreciation Amortization

Annexure:1 Detail of Facilities:

| Name of Instruments/ Facilities | Type of Facilities | Amount (NPR Mn) | Ratings |
|--|--------------------|------------------|---------|
| Fund Based Bank Facilities- Term Loan | Long Term | 582.15 | IRN BB- |
| Fund Based Bank Facilities- Permanent Working Capital Loan | Long Term | 632.00 | IRN BB- |
| Fund Based Bank Facilities- Term Loan (Proposed) | Long Term | 240.00 | IRN BB- |
| Fund Based Bank Facilities- Working Capital Loan | Short Term | 530.00 | IRN A4 |
| Non-Fund Based Bank Facilities- LC/BG ¹ | Short Term | 8,076.00 | IRN A4 |
| Total Facilities | | 10,060.15 | |

¹Letter of Credit/Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:

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