

PRESS RELEASE

VALLEY PELLET FEED PRIVATE LIMITED

February 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	393.50 (reduced from 772.81)	IRN BB	Upgraded from IRN BB- and removed from Issuer not cooperating category
Short Term Bank Facilities	1,710.00 (reduced from 2,830.00)	IRN A4	Removed from Issuer not cooperating category
Total	2,103.50		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating assigned to the long-term bank facilities of NPR 393.50 Mn to IRN BB (Double B) from IRN BB- 'INC' (Double B Minus, Issuer not cooperating) and reaffirmed the rating assigned to short term bank facilities of NPR 1,710.00 Mn to IRN A4 (A Four). The ratings have been removed from Issuer Not Cooperating category.

Detailed Rationale

The upgradation of ratings assigned to the bank facilities of Valley Pellet Feed Private Limited (VPFPL) reflect the improvement in its overall financial profile in FY25, marked by a ~15% y-o-y increase in operating income to ~NPR 4,062 Mn. The growth was largely driven by higher sales volumes following feed reformulation, which enhanced product efficiency and supported better customer acceptance, particularly in the broiler segment that continued to account for ~86% of total revenues. The company's capital structure witnessed strengthening during the year, with overall gearing improving to 1.45x as of mid-July 2025 (2.83x as of mid-July 2024), supported by improved accruals and moderation in working capital borrowings, leading to better debt coverage indicators. The ratings continue to draw comfort from VPFPL's established track record since its incorporation in 2008 and the extensive experience of its promoters, who possess over two decades of expertise in the feed and poultry industry, aiding operational stability and business continuity.

Nonetheless, the ratings remain constrained by liquidity pressures, albeit with an improvement in working capital intensity to ~29% in FY25 from ~43% in FY24, primarily supported by better receivables management and relatively higher reliance on trade creditors. The ratings are further tempered by the inherent volatility in raw material prices, driven by supply-chain disruptions and climatic variations, which expose operating margins to fluctuations. Moreover, the cyclical nature of the poultry industry, coupled with vulnerability to disease outbreaks such as bird flu, can adversely impact demand, realizations, and overall profitability. The presence of intense competition in the fragmented feed industry also limits pricing flexibility, thereby exerting pressure on cash flows and margin stability. Going forward, VPFPL's ability to sustain adequate revenue growth and profitability, efficiently manage its working capital cycle, and further strengthen its capitalisation and debt coverage indicators will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established track record of operations and experienced promoters

Incorporated in 2008, VPFPL is promoted by the Valley Group, which operates group of diverse units across the poultry business. Promoters have over two decades of experience and an established

presence in the feed manufacturing and poultry sector and are involved in multiple business activities in poultry segment.

Average financial performance

VPFPL reported an improvement in its financial profile in FY25, with revenues increasing by ~15% y-o-y to ~NPR 4,062 Mn, primarily driven by higher sales volumes following feed reformulation, which supported improved feed performance and customer acceptance, especially in the broiler feed segment that continued to contribute ~86% of total revenues. Operating profitability witnessed a modest uptick, with EBITDA margin improving to 5.65% in FY25 from 4.99% in FY24, aided by better operating leverage despite marginal pressure on realizations. Further, the company's bottom-line performance strengthened, with PAT margin improving to 2.64% in FY25 from 1.23% in FY24, mainly due to lower interest expenses. Consequently, Gross Cash Accruals improved to ~NPR 125 Mn in FY25 from ~NPR 67 Mn in FY24, supporting the company's internal accrual generation.

Moderate capital structure and debt coverage indicators

The company's capital structure witnessed notable improvement in FY25, with overall gearing moderating to 1.45x as of mid-July 2025 from 2.83x as of mid-July 2024, primarily on account of scheduled repayment of long-term borrowings and reduced dependence on working capital limits. Consequently, TOL/TNW also improved to 2.28x in FY25 from 3.34x in FY24, reflecting moderation in overall leverage levels. Debt coverage metrics strengthened during the year, supported by better operating profitability and lower finance costs, with the interest coverage ratio improving to 2.68x in FY25 from 1.26x in FY24, while DSCR increased to 2.47x from 1.45x over the same period, indicating improved debt servicing ability.

Key Rating Weaknesses

Working capital intensive operations

The company's working capital intensity moderated to ~29% in FY25 from ~43% in FY24, supported by improved receivables management and relatively higher reliance on trade creditors. The average collection period improved to 104 days in FY25 from 123 days in FY24, while inventory days increased marginally to 54 days (50 days in FY24) in line with higher scale of operations; creditor days remained largely stable at 33 days. Consequently, the operating cycle shortened to 125 days from 138 days, albeit continuing to reflect the inherently working capital-intensive nature of the business.

Fragmented and competitive nature of industry

The feed industry is highly fragmented, with numerous organized and unorganized players due to low entry barriers and minimal technology and capital requirements. VPFPL faces intense competition from large-scale collectors, millers, traders, and wholesalers, given the low differentiation of its products. In this competitive landscape, small and medium-sized manufacturers have limited pricing power, with prices primarily dictated by market dynamics, highlighting the vulnerability of their operations to market fluctuations.

Inherent risk given direct linkage with poultry industry

The business of VPFPL is directly tied to the poultry industry, making its risk profile dependent on the industry's performance. Any significant adversities in the poultry sector, such as disease outbreaks or decreased consumption, directly impact feed producers like VPFPL.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Valley Pellet Feed Private Limited: Bank Facilities Rating Revised and moved to Issuer Not Cooperating category with notice of withdrawal](#)

About the Company:

Incorporated in August 27, 2008, Valley Pellet Feed Private Limited (VPPFL) is a producer of poultry pellet feed in Nepal with its factory in Hetauda, Makwanpur. The company currently manufactures four categories of poultry pellet feed along with mash feed formulated for broiler breeder. It is operating under Valley group brand. As on mid-July 2025, the company has an annual installed capacity of 70,000 metric tonnes per annum.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn.)	4,052	3,929	3,546	4,062
EBITDA Margin (%)	5.85	5.40	4.99	5.65
Interest Coverage Ratio (x)	2.64	1.43	1.26	2.68
Current Ratio (x)	1.24	1.18	1.49	1.78
Total Debt/GCA (years)	9.25	20.44	19.92	6.74
Overall Gearing Ratio (x)	2.33	2.81	2.83	1.45
TOL/TNW (x)	3.36	3.75	3.34	2.28
Working Capital Intensity (%)	29.97	37.51	42.96	28.98

Earnings before Interest Tax Depreciation Amortization (EBITDA)

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

**Classification as per Infomerics Nepal standards*

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Term Loan	393.50	IRN BB
Fund Based Bank Facilities-Working Capital Loan	Short Term	340.00	IRN A4
Non-Fund Based Bank Facilities-LC/BG ¹	Short Term	1,370.00	IRN A4
Total Facilities		2,103.50	

¹Letter of Credit/Bank Guarantee

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Infomerics Credit Rating Nepal Limited

About Infomerics Credit Rating Nepal Limited:

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