

## PRESS RELEASE

### **PREMIER DISTILLERY LIMITED** (Formerly Premier Organics Limited)

March 2026

#### Ratings

| Instrument/Facilities      | Amount (NPR Mn)                  | Ratings      | Rating Action           |
|----------------------------|----------------------------------|--------------|-------------------------|
| Issuer Rating              | NA                               | IRN BB+ (Is) | Assigned                |
| Long Term Bank Facilities  | 93.31<br>(reduced from 308.96)   | IRN BB+      | Upgraded from<br>IRN BB |
| Short Term Bank Facilities | 690.00<br>(enhanced from 527.00) | IRN A4+      | Upgraded from<br>IRN A4 |
| <b>Total</b>               | <b>783.31</b>                    |              |                         |

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 93.31 Mn to IRN BB+ (Double B Plus) from IRN BB (Double B) and short-term bank facilities of NPR 690 Mn to IRN A4+ (A Four Plus) from IRN A4 (A Four). Also, Infomerics Nepal has assigned the issuer rating of IRN BB+ (Is) [Double B Plus (Issuer)]. Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

#### Detailed Rationale

The issuer rating assigned to Premier Distillery Limited (PDL) and upgradation of ratings assigned to the bank facilities of the company factors in improved capital structure of the company marked by improved overall gearing ratio of 0.58x as on mid-July 2025 from 1.47x as on mid-July 2024. Moreover, the company continues to derive strengths from experienced promoters, and support from resourceful "Sharda Group" and "Rathi Group", as well as its strategic location for imports and moderate and consistent capacity utilization during FY22-FY25.

However, these rating strengths are partially offset by working capital intensive nature of operations induced by elongated inventory turnover period. Higher inventory days is mainly on account of extended raw material holding period due to seasonality and pricing factors of agro-based raw materials of PDL. Also, the ratings take into account the company's exposure to regulatory risk, foreign exchange fluctuation risk and customer concentration risk. Going forward, the ability of the company to manage growth in its operations while improving profitability margins and prudently managing its working capital as well as successful IPO issuance and effective utilization of the proceeds thereafter will remain key rating sensitivities.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

##### Experienced promoters and resourceful group

PDL has been in operation for over a decade in manufacturing Grain based Extra Neutral Alcohol (GENA), which is used for manufacturing of various types of alcohol like Vodka, Whisky, Rum, Gin etc. Furthermore, PDL is a joint venture company of Sharda Group and Rathi Group which have strong presence in Nepal through their group entities in various industries like food grain, cement, packaging, spirits, TMT bars, rubber, vehicle trading, mobile phone and its accessories trading. Mr. Pradeep Kumar Sharda, Chairman has over two decades of experience in trade and industry and holds directorship in various other group companies. Furthermore, the Board is supported by experienced and qualified management team.

## **Strategic location for imports and moderate capacity utilization**

The plant site is close to Indo-Nepal borders which has led to saving in freight cost as the majority of raw material requirements are imported from India. PDL's capacity utilization is on moderate side with an average utilization of ~74% over the last four years ending mid-July 2025. PDL started 70 UP "Pal Pal" from May 2021 and 25UP liquor segment in FY23. PDL has the total installed capacity of 5 LCPA<sup>1</sup> in blended liquor segment, 12,000 KLPA<sup>2</sup> of rectified spirit, 6,000 KLPA of GENA, 4,500 MTPA<sup>3</sup> of carbon dioxide and 7,218 MTPA of DDGS.

## **Improving capital structure albeit moderate financial profile**

Overall gearing ratio of the company stood at 0.58x at the end of FY25, improved from 1.47x at the end of FY24 and 1.37x at the end of FY23 mainly on account of improved tangible net worth base resulting from promoter's equity infusion of ~NPR 478 Mn (including NPR 110 Mn premium) coupled with decrease in total debt. Total debt to Gross Cash Accruals was 5.82x in FY25 compared to 7.66x in FY24 (6.89x in FY23). With lowered interest outgo, interest coverage ratio improved to 3.13x in FY25 from 2.39x in FY24 and 2.22x in FY23.

Moreover, Total Operating Income (TOI) of the company increased to NPR 1,322 Mn in FY25 from NPR 1,286 Mn in FY24 (FY23: NPR 1,168 Mn), primarily due to increase in total quantity sold of liquors and Grain Extra Neutral Alcohol (GENA) with improved average price realization of these products. However, EBITDA margin of PDL deteriorated to 12.62% in FY25, from 14.83% in FY24 and 14.85% in FY23, mainly on account of increased cost of production. PDL reported PAT margin of ~3.69% in FY25 vis-à-vis 3.55% in FY24 and 3.28% in FY23. The ability of the company to manage growth in the operations while improving profit margins will remain a key monitorable.

## **Key Rating Weaknesses**

### **Working capital intensive nature of business**

The operations of the company are working capital intensive in nature. Due to seasonality and pricing factor of raw materials, the company's average inventory holding period elongated to 178 days in FY25 from 153 days in FY24 (FY23: 125 days). Also, PDL allows credit period to its customers with low credit period from its suppliers. Consequently, operating cycle of the company remained elevated at 183 days in FY25 (FY24: 144 days). This has led to high reliance of the company on the external bank finance for its working capital needs.

### **Raw material price volatility risk and exposure to regulatory risk**

The raw material cost contributed ~79% of the TOI in FY25 and hence, any fluctuation in the price is expected to impact the profitability of the company. Also, the liquor industry in Nepal is heavily regulated by the government with high taxation making the industry dynamics complex. Furthermore, there is a ban on all forms of direct and indirect advertising for liquor in the country. Liquor manufacturers are not allowed to conduct any type of program distributing gifts, leading to market players resorting to surrogate advertising. Thus, liquor companies like PDL are directly influenced by any unfavorable regulatory changes which could impact the company's profitability.

### **Risk of foreign exchange fluctuation and customer concentration**

PDL purchases scotch and bottles in US dollars without hedging, exposing itself to foreign exchange risk. Additionally, during FY25, top 10 customers accounted for ~92% of TOI, with a significant chunk from a single national distributor (albeit an investee company of PDL), accounting for ~25% of the company's sales. High concentration in few customers could potentially impact the product distribution.

## **Analytical Approach:** Standalone

<sup>1</sup> Lakh Cartoons Per Annum

<sup>2</sup> Kilo Liter Per Annum

<sup>3</sup> Metric Ton Per Annum

## Applicable Criteria:

[Corporate Credit Rating Methodology](#)

[Issuer Rating Methodology](#)

## Past Rating Rationale:

[Premier Organics Limited: Bank Facilities Rating Reaffirmed](#)

## About the Company:

Premier Distillery Limited was initially incorporated as Premiere Distilary Private Limited on December 26, 2012. The company changed its name to Premier Organics Private Limited on May 15, 2013 and again to Premier Distillery Limited on July 08, 2025. The company was converted into Public Limited on August 24, 2023. Its plant is located in Duhabi-04, Sunsari, Nepal. PDL sells its Liquor Bottles' products under 5 different brands viz. Pal Pal, The Himalayan Reserve, Old Monk, Black Stallion and Royal Reserve in the domestic market.

## Financial Indicators (Standalone)

| For the year ended* As on       | FY22 <sup>@</sup> | FY23    | FY24    | FY25    |
|---------------------------------|-------------------|---------|---------|---------|
|                                 | Audited           | Audited | Audited | Audited |
| Total Operating Income (NPR Mn) | 939               | 1,168   | 1,286   | 1,322   |
| EBITDA <sup>4</sup> Margin (%)  | 17.96             | 14.85   | 14.83   | 12.62   |
| Interest Coverage Ratio (x)     | 2.75              | 2.22    | 2.39    | 3.08    |
| Current Ratio (x)               | 0.83              | 1.17    | 1.12    | 1.52    |
| Overall Gearing Ratio (x)       | 1.74              | 1.37    | 1.47    | 0.58    |
| TOL/TNW <sup>5</sup> (x)        | 2.26              | 1.93    | 2.04    | 0.78    |

\*Classification as per Infomerics Nepal standards

<sup>@</sup>PDL had carried out first time adoption of Nepal Financial Reporting Standard (NFRS) from FY24 onwards resulting with the financial metrics for FY22 and FY23 changed according to "NFRS 1- First Time Adoption of NFRS"

<sup>4</sup>Earnings before Interest Tax Depreciation Amortization (EBITDA)

<sup>5</sup>Total Outside Liabilities/Tangible Net Worth (TOL/TNW)

## Annexure:1 Detail of Facilities:

| Name of Instruments/ Facilities                    | Type of Facilities | Amount (NPR Mn) | Rating  |
|--|--------------------|-----------------|---------|
| Fund Based Bank Facilities- Term Loan              | Long Term          | 93.31           | IRN BB+ |
| Fund Based Bank Facilities- Working Capital Loan   | Short Term         | 690.00          | IRN A4+ |
| Non-Fund Based Bank Facilities- LC/BG <sup>6</sup> | Short Term         | (200.00) *      | IRN A4+ |
| <b>Total Facilities</b>                            |                    | <b>783.31</b>   |         |

<sup>6</sup>Letter of Credit/ Bank Guarantee

\*Short Term Fund Based Bank Facilities and Non-Fund Based Bank Facilities are interchangeable subject to Fund Based Limit (Cash Credit & Trust Receipt Loan) not exceeding NPR 440 Mn.

## Analyst Contacts

### Mr. Girish Bhatta

Tel No.+977-1-4583304/4585906

[girish.bhatta@infomericsnepal.com](mailto:girish.bhatta@infomericsnepal.com)

### Mr. Sujan Rimal

Tel No.+977-1-4583304/4585906

[sujan.rimal@infomericsnepal.com](mailto:sujan.rimal@infomericsnepal.com)



# Infomerics Credit Rating Nepal Limited

## Relationship Contact

### Mr. Rabin Pudasaini

Tel No. +977-1-4583304/4585906

[rabin.pudasaini@infomericsnepal.com](mailto:rabin.pudasaini@infomericsnepal.com)

### 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](mailto:info@infomericsnepal.com)

Web: [www.infomericsnepal.com](http://www.infomericsnepal.com)

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