

PRESS RELEASE

SRI KRISHNA OIL REFINERY AND VEGETABLE GHEE INDUSTRIES PRIVATE LIMITED

April 2026

Ratings

| Instrument/Facilities | Amount (NPR Mn) | Ratings | Rating Action |
|----------------------------|-----------------|---------|---------------|
| Long Term Bank Facilities | 1,151.86 | IRN BB- | Assigned |
| Short Term Bank Facilities | 3,680.00 | IRN A4 | Assigned |
| Total | 4,831.86 | | |

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB- (Double B Minus) to the long-term bank facilities of NPR 1,151.86 Mn, and IRN A4 (A Four) to the short-term bank facilities of NPR 3,680.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Sri Krishna Oil Refinery and Vegetable Ghee Industries Private Limited (SKOR) derives its strength from the company's established operational presence in the edible oil industry, supported by an experienced promoter group. With more than three decades of operations, SKOR benefits from being a part of the HP Agarwal Group, a well-established corporate group with presence across manufacturing, trading, polymer industries and sugar industries. The group association provides operational synergies, supply chain support, market access and financial flexibility. SKOR also benefits from established brand recognition through brands such as Health, Soyelite, Sunlite, Torigold, Diamond and Nityafresh 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 SKOR's leveraged capital structure with overall gearing ratio of 8.86x as of mid-January 2026, highly working-capital intensive marked by an elongated operating cycle of 170 days in FY25 (FY24:580 days) 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, SKOR's ability to improve capacity utilization, sustain profitability, improve tangible net worth position, rationalize debt levels with efficient working capital management 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

SKOR has been operating in the edible oil industry for more than three decades. The company is part of the HP Agarwal Group, which has a strong presence in Nepal through its group entities across diverse sectors, including manufacturing, trading, polymer, and sugar industries. SKOR is managed under the overall guidance of its Chairman, Mr. Manoj Kumar Agarwal, who has over three decades of experience in the edible oil processing industry. The management team is further supported by experienced personnel across various departments, contributing to the company's efficient operations and strategic growth.

Improving financial performance with revenue recovery

SKOR's financial performance has been volatile over the past three fiscal years ending FY25. Total operating income (TOI) declined sharply from ~NPR 1,542 Mn in FY23 and ~NPR 730 Mn in FY24,

before rebounding by ~461% to ~NPR 4,108 Mn in FY25, driven increased exports to India, supported by rising demand. EBITDA followed a similar trend, declining to ~NPR 89 Mn in FY24 and recovering to ~NPR 378 Mn in FY25. PAT was negative at ~NPR -70 Mn in FY23 and ~NPR -178 Mn in FY24, before improving to ~NPR 101 Mn in FY25. Gross cash accruals remained modest at ~NPR 62 Mn in FY25, up from negative levels in FY24.

Essential part of cooking, leading to stable demand

SKOR is involved in processing/refining crude oils into refined oils and vegetable ghee. The demand prospect of oil industry is growing as oil is one of essential commodity for cooking. Further, with demand higher than domestic production and slowdown in domestic agriculture production, large volume of edible as well as crude oil is being imported in Nepal giving importers like SKOR favourable environment.

Strategic location with sizeable exports to India

The factory site is located in Simara of Bara 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 ICP at Birgunj remains positive from the logistics perspective. Export sales to India covers ~87% of total revenue during FY25 and remains high at ~81% during first 6 months of FY26.

Key Rating Weaknesses

Leveraged capital with stabilizing Debt Coverage Indicators

SKOR's capital structure remains leveraged, primarily due to its continued reliance on short-term borrowings to fund its working capital requirements. Long-term debt has remained high at NPR 909 Mn in FY25 with total debt increased from NPR 2,511 Mn in FY24 to NPR 2,746 Mn in FY25, driven by higher inventory and receivables funding. Tangible net worth, declined to ~NPR 269 Mn in FY24 from ~NPR 457 Mn in FY23 due to losses, which improved to ~NPR 370 Mn in FY25 following a return to profitability. Consequently, the overall gearing ratio stood elevated at 7.42x at the end of FY25. Though the debt levels remain substantial, the recovery in earnings led to an improvement in interest coverage and DSCR to 1.30x and 1.37x respectively in FY25, from less than unity in last two years (FY23-FY24).

Working capital intensive nature of business

The operations of the company are working capital intensive in nature. SKOR is involved in processing of various refined oil and vegetable ghee by importing raw materials being edible crude oil and mustard seeds. These raw materials are imported from Singapore Switzerland, Australia, Argentina, India, Indonesia, Malaysia, Ukraine and Netherlands which are procured through LC Sight/Usance. The operating cycle shortened to 170 days in FY25 from 580 days in FY24, driven by decrease in average receivables to 34 days and average inventory holding to 146 days in FY25 from 120 days and 515 days respectively. As a result, working capital intensity decreased to 38% in FY25 from 255% in FY24. Liquidity remained moderately stretched, with a current ratio of 1.05 and a quick ratio of 0.43 at the end of FY25.

Raw material price volatility risk and regulatory uncertainties

The company remains exposed to significant raw material price volatility, as it is fully dependent on imports of crude edible oil. Raw material costs have exhibited sharp fluctuations over the past few years, accounting for ~106% of TOI in FY23, moderating to ~72% in FY24, and increasing again to ~94% in FY25, driven by global supply-demand imbalances and geopolitical disruptions. Given the high contribution of raw materials to overall costs, profitability remains highly sensitive to such fluctuations. Further, the company is exposed to regulatory risks arising from policy changes in Nepal and India. Recent reductions in import duties by India on crude edible oils are expected to intensify competition, which may exert pressure on export realizations going forward.

Seasonal agro products in competitive industry

Prices of edible crude oils are highly volatile in nature and being an agro product, 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](#)

About the Company:

Sri Krishna Oil Refinery and Vegetable Industries Private Limited (SKOR) is a private limited company incorporated on September 04, 1995 for processing/refining of edible oils, having plant in Nitampur, Bara, Nepal. The total installed capacity for refined soyabean/ palmolien/sunflower with vegetable ghee is 70,000 MTPA, mustard oil is 10,000 MTPA and for by product like mustard cake, Palm Fatty/Acid Oil is 133,078 MTPA. SKOR is under HP Agarwal group, having more than three decades of operational track record across various sectors. As of mid-July 2025, Manoj Kumar Agarwal is the sole shareholder of the company holding 100% stake.

Financial Indicators (Standalone)

| For the year ended* As on | FY22 | FY23 | FY24 | FY25 | H1FY26 |
|---------------------------------|---------|---------|---------|---------|-----------|
| | Audited | Audited | Audited | Audited | Unaudited |
| Total Operating Income (NPR Mn) | 3,670 | 1,542 | 730 | 4,108 | 2,592 |
| EBITDA Margin (%) | 6.26 | 11.88 | 12.13 | 9.19 | 5.95 |
| Interest Coverage Ratio (x) | 1.67 | 0.95 | 0.35 | 1.30 | 1.33 |
| Total Debt/ EBITDA (x) | 6.88 | 10.82 | 28.34 | 7.27 | 22.88 |
| Current Ratio (x) | 0.72 | 0.94 | 1.13 | 1.05 | 1.00 |
| Overall Gearing Ratio (x) | 7.39 | 4.34 | 9.33 | 7.42 | 8.86 |

*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 | 377.37 | IRN BB- |
| Fund Based Bank Facilities- Permanent Working Capital Loan | Long Term | 649.49 | IRN BB- |
| Fund Based Bank Facilities- Term Loan (Proposed) | Long Term | 125.00 | IRN BB- |
| Fund Based Bank Facilities- Working Capital Loan | Short Term | 3,000.00 | IRN A4 |
| Non-Fund Based Bank Facilities- LC/BG ¹ | Short Term | 680.00 | IRN A4 |
| Total Facilities | | 4,831.86 | |

¹Letter of Credit/Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:

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