

PRESS RELEASE

ARUN AGRO INDUSTRIES PRIVATE LIMITED

May 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	290.01 (Enhanced from 273.30)	IRN BB	Reaffirmed and removed from Issuer not cooperating category
Short Term Bank Facilities	1,100.00 (Enhanced from 996.70)	IRN A4	Reaffirmed and removed from Issuer not cooperating category
Total	1,390.01		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB (Double B) assigned to the long term bank facilities of NPR 290.01 Mn , IRN A4 (A Four) to the short term bank facilities of NPR 1,100.00 Mn. Also, the ratings have been removed from Issuer Not Cooperating category.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Arun Agro Industries Private Limited (AAIP) derive strength from parentage of experienced promoter group "Goenka" coupled with established and long track record of operations of the company. The ratings derive comfort from the company's moderate debt coverage indicators, as reflected in the interest coverage ratio of $\sim 1.35x$ in FY25 ($\sim 0.56x$ in FY24) and $\sim 1.27x$ in H1FY26. The ratings also take into account the growth in Total Operating Income (TOI) at a CAGR of $\sim 8\%$ over FY22-FY25 along with improvement in operating profitability, with EBITDA margins increasing to $\sim 7\%$ in FY25 from $\sim 4\%$ in FY24. The ratings further factor in the inherently stable demand for the company product range, which comprises staple food items widely consumed across Nepal and its proximity to the Indo-Nepal border. Owing to the essential nature and consistent household use of these products, demand visibility remains firm, lending stability to the company's revenue profile over the medium term.

However, the ratings remain constrained by the company's highly leveraged capital structure as reflected in overall gearing ratio of $\sim 6.01x$ as of mid-July 2025 (FY24: $\sim 6.25x$) and weak debt coverage indicator indicated by DSCR of $0.96x$ in FY25 from $0.41x$ in FY24. The ratings further factor in the working capital intensive nature of operations reflected in working capital intensity of $\sim 46\%$ in FY25 ($\sim 48\%$ in FY24). Additionally, the company remains exposed to raw material price volatility, the seasonal nature of agro-based commodities in a fragmented market, and regulatory risks. Going forward, the company's ability to exhibit sustained improvement in scale of operations and profitability and strengthen its capital structure with prudent cash flow management will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Improving financial performance

AAIP's total operating income (TOI) registered a healthy growth at a CAGR of $\sim 8\%$ over FY22-FY25, increasing to \sim NPR 2,024 Mn in FY25 from \sim NPR 1,738 Mn in FY24 (FY23: \sim NPR 1,695 Mn), supported by higher contribution from the maida segment, and better realization prices. However, the company witnessed moderation in performance during H1FY26, with annualized decline of $\sim 9\%$

in operating income due to subdued demand and elevated wheat prices during the off-season period (mid-August to mid-February). Profitability metrics also improved, with EBITDA margins increasing to ~7% in FY25 from ~4% in FY24, albeit remaining below ~9% in FY23, reflecting recovery in operating performance and improved realizations after moderation in FY24 due to higher custom duty on wheat. PAT margins improved to ~1% in FY25 and remained at similar levels in H1FY26 from negative levels in FY24, supported by lower interest costs and better operating performance. Consequently, gross cash accruals (GCA) improved to ~NPR 31 Mn in FY25 from negative levels in FY24, indicating improved internal cash generation ability.

Stable demand for supplied products and proximity to Indian border

AAIP benefits from the inherently stable demand for its product portfolio, which includes flour, refined wheat flour, semolina and related items that form staple components of the Nepalese diet. Given the essential nature and regular consumption of these products, demand visibility remains strong, supporting revenue stability over the medium term. In addition to this, the plant site is close to Sonauli border which has led to saving in freight cost as the majority of raw materials requirements are imported from India.

Experienced promoter group with an established track record, supported by proficient management team

AAIP has been in operation for more than two decades especially in processing and manufacturing of atta, chakki atta, chocker, maida and suji. Further, AAIP is a part of Goenka Group (operation since 1963) having presence in Nepal through their group entities in various industries like Steel, Food and Trading. Mr. Nand Lal Goenka is the Chairman of the company and has over four decades of experience in different industry. Further, he is supported by an experienced directors and proficient management team, leading to a better understanding of the market dynamics and enabling a sound relationship with the suppliers and customers.

Key Rating Weaknesses

Highly leveraged capital structure albeit improving coverage metrics

AAIP's capital structure remained highly leveraged, reflected in an overall gearing ratio of 6.01x as of mid-July 2025 (6.25x in FY24 and 3.58x in FY23), driven by the increase in working capital borrowings. However, the ratio moderated to 5.50x as of mid-January 2026 following a reduction in debt levels. The Total Outside Liabilities to Tangible Net Worth ratio (TOL/TNW) also remained elevated at 6.33x in FY25 (6.60x in FY24 and 3.83x in FY23), indicating a high dependence on external liabilities, which shows slightly moderation in H1FY26 at 6.05x. However, Interest coverage ratio improved to 1.35x in FY25 from 0.56x in FY24, and further 1.27x in H1FY26, primarily supported by operating profitability. Likewise, Debt service coverage ratio (DSCR) remained subdued at 0.96x in FY25 from 0.41x in FY24 (1.35x in FY23).

Working intensive nature of business

AAIP's operations remain inherently working capital intensive, as reflected in its elevated working capital intensity of ~46% in FY25 (FY24: ~48%; FY23: ~45%). The high working capital requirement is primarily attributable to significant inventory holding necessitated by the seasonal availability of key raw materials such as wheat and lentils, leading to an average inventory period of ~121 days in FY25 (FY24: ~118 days; FY23: ~108 days). The collection period moderated to ~57 days in FY25 from ~68 days in FY24, supported by relatively improved receivable management, while creditor period remained low at ~6 days in FY25 from ~7 days in FY24 (FY23: ~10 days) due to shorter credit terms from suppliers. Given the high inventory holding period and moderate collection period the company's operating cycle, though improved, remains elongated at ~173 days in FY25 compared to ~179 days in FY24 (FY23: ~158 days).

Seasonal, competitive industry with input price and regulatory risks

AAIP operates in a highly seasonal and competitive agro-processing industry, where production, procurement, and pricing are influenced by monsoon patterns, acreage, yield levels and demand-supply dynamics. The industry remains fragmented with the presence of both organized and unorganized players, supported by low entry barriers and relatively modest capital requirements, leading to heightened competitive intensity. In addition, the company remains exposed to raw material price volatility, particularly wheat and lentils, which are subject to fluctuations in global and domestic supply conditions. The business is also susceptible to regulatory risks, including changes in import duties and trade policies, which can impact procurement costs and overall margins.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Arun Agro Industries Private Limited: Moved to Issuer not cooperating category with notice of withdrawal](#)

About the Company:

Incorporated in February 2000, Arun Agro Industries Private Limited (AAIP) is a private limited company established with an objective of manufacturing and trading of varieties of atta, chakki atta, chocker, maida, suji and lentils. Its manufacturing plant is located in Om Satiya Rural Municipality-02, Rupandehi, Nepal. AAIP is a part of "Goenka Group" managed by Mr. Nand Lal Goenka.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	H1FY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	1,294	1,695	1,738	2,024	913
EBITDA Margin (%)	8.15	8.96	3.87	6.28	5.28
Interest Coverage Ratio (x)	1.86	1.42	0.56	1.35	1.27
Current Ratio (x)	0.86	1.45	1.20	1.16	1.19
Total Debt/GCA (years)	16.20	22.96	Neg.	35.57	99.81
Overall Gearing Ratio (x)	3.04	3.58	6.25	6.01	5.50
TOL/TNW (x)	3.38	3.83	6.60	6.33	6.05

*Classification as per Infomerics Nepal standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

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

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Term Loan	290.01	IRN BB
Fund Based Bank Facilities-Working Capital Loan	Short Term	950.00	IRN A4
Non-Fund Based Bank Facilities- Letter of Credit	Short Term	150.00	IRN A4
Total Facilities		1,390.01	

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About Infomerics Credit Rating Nepal Limited:

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