PRESS RELEASE

BRAJESHWORI INDUSTRIES PRIVATE LIMITED

July 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	281.704 (Reduced from 301.83)	IRN BB-	Reaffirmed
Short Term Bank Facilities	380.00 (Enhanced from 375.00)	IRN A4	Reaffirmed
Total	**661.704**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating assigned to the long-term facilities of NPR 281.704 Mn to IRN BB- (Double B Minus) and reaffirmed the rating of IRN A4 (A Four) to the short-term facilities of NPR 380.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Brajeshwori Industries Private Limited (BIPL) reflects its steady financial performance in FY25, supported by revenue growth, stable profitability, and stable debt coverage indicators. BIPL's Total Operating Income (TOI) increased to NPR 599 Mn in FY25 from NPR 531 Mn in FY24, driven by growing brand acceptance and market expansion. However, EBITDA declined marginally to NPR 78 Mn in FY25 from NPR 93 Mn in FY24, primarily due to higher transportation and other operating expenses resulting from exchange rate fluctuations. The ratings also factor in the experience of BIPL's promoters and operational synergies with the Brajeshwori Group, which has over 20 years of presence in trading, imports, and financial services. Additionally, BIPL benefits from strong demand in the baby diaper segment, where rising urbanization, increasing disposable incomes, and high import dependency offer a favorable market environment.

However, BIPL's credit profile remains constrained by its leveraged capital structure, working capital-intensive operations, and competitive risks. Overall gearing remained high at 3.56x at the end of FY25 (3.44x in FY24), while interest coverage, despite strengthening, was modest at 1.61x (1.45x in FY24). The working capital cycle elongated to 206 days in FY25 from 182 days in FY24 due to elongated credit period (116 days in FY25 from 104 days in FY24) provided to its customer to maintain market share. Additionally, competition from traders' limits pricing flexibility and bargaining power and is a rating constraint. While duty protection and contract manufacturing agreements provide some support, competitive pressures persist. Moving forward, BIPL's ability to sustain profitability, optimize working capital, and improve its capital structure will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter; Operational synergies arising out of being part of Brajeshwori Group

BIPL is a member of the Brajeshwori group, which has over 20 years of experience in import, trade, and financial services through its co-operative unit. The group's trading arm, Brajeshwori Trading, has been dealing in electronic goods and home appliances for many years. Additionally, Brajeshwori Overseas Private Ltd (IRN B+/A4, assigned in September 2025) and Brajeshwori International Private Ltd focus on importing and distributing "Dulux Paints" and various FMCG products such as "Pril", "Ujala","Henko," and "Mr. White." The promoters' expertise, market knowledge, and strong relationships with suppliers and customers are expected to support the company's distribution network and credit risk profile.

Steady Financial Performance in FY25

BIPL demonstrated improved financial performance in FY25, with Total Operating Income (TOI) increasing to NPR 599 Mn from NPR 531 Mn in FY24, driven by growing brand acceptance and increased market penetration. However, EBITDA declined marginally to NPR 78 Mn in FY25 from NPR 93 Mn in FY24, primarily due to higher transportation and other operating expenses resulting from exchange rate fluctuations, which increased import costs and created inflationary pressure on logistics and related expenses. The PAT margin remained volatile during the year, mainly due to the impact of deferred tax adjustments. Nevertheless, the Profit Before Tax (PBT) remained largely stable in FY25 compared to FY24. Further, Gross Cash Accrual (GCA) improved marginally to NPR 29.58 Mn in FY25 from NPR 28.48 Mn in FY24, reflecting healthy cash flow generation. Overall, these developments indicate the company's ability to expand its operations while maintaining stable financial performance.

Growing demand in baby diaper segment
The demand prospect of baby diaper industry is growing and dependent on several factors, such as population growth, urbanization, an increase in disposable income and many more. Also, baby diapers are considered to a convenient and hygienic option especially to all the working parents and guardians. With this, the baby diapers market globally is expected to continue growing in the coming years. Also, a considerable volume of baby diapers is being imported in Nepal, providing an advantageous climate for manufacturers like BIPL, as demand is higher than the domestic supply with high duty protection to the local manufacturers.

Key Rating Weaknesses

Moderate capital structure and debt coverage indicators
BIPL's capital structure remained leveraged in FY25, with the overall gearing ratio increasing marginally to 3.56x from 3.44x in FY24, primarily due to higher utilization of short-term borrowings to meet working capital requirements. Despite the increase in debt levels, the interest coverage ratio improved to 1.61x in FY25 from 1.45x in FY24, supported by lower finance costs following the decline in interest rates amid excess liquidity in the Nepalese banking system. However, the Total Debt/EBITDA ratio deteriorated to 7.27x in FY25 from 5.41x in FY24, owing to the combined impact of higher short-term debt and lower EBITDA. Similarly, the Total Debt/GCA ratio increased to 19.25x in FY25 from 17.64x in FY24, reflecting the rise in debt levels relative to cash accruals. Furthermore, the Debt Service Coverage Ratio (DSCR) moderated to around 1.00x in FY25 from 1.13x in FY24, indicating a relatively lower debt servicing cushion during the year.

Working capital intensive nature of business
The company's operations are working capital intensive in nature. The average collection period increased to 116 days in FY25 from 104 days in FY24, primarily due to higher credit sales as the company adopted a more flexible credit policy to enhance market penetration amid intense competition. Similarly, the inventory holding period increased to 105 days in FY25 from 97 days in FY24, reflecting higher inventory levels. On the other hand, the average creditor payment period declined to 15 days in FY25 from 19 days in FY24. Consequently, the company's operating cycle lengthened to 206 days in FY25 from 182 days in FY24. As a result, working capital intensity increased to 66% in FY25 from 62% in FY24, indicating higher working capital requirements to support the company's growing scale of operations.

Increased competitive risk
With fewer manufacturers in baby diaper industry compared to traders, they may face an increased competition from traders. This would result in less control over pricing with increased struggle towards product differentiation among competitors. Additionally, this would result in less bargaining power thereby exposing the players like BIPL to an uncertain competitive risk. Nonetheless, presence of duty protection to the local manufacturers and renewal contract manufacturing agreement with the customers should provide comfort to some extent.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

Past Rationale:
Brajeshwori Industries Private Limited: Bank Facilities Rating Revised

About the Company:
Brajeshwori Industries Private Limited was incorporated in June 2018 with the purpose of manufacturing baby pull up diapers. BIPL's registered office is at Subidhanagar, Kathmandu while its manufacturing plant is located at Ramgram of Nawalparasi district with an installed capacity of 480 ppm (pcs per minute). BIPL is a family-owned business belonging to Brajeshwori Group, where Mr. Satrughan Prasad Dhakal is the chairman.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25
	Audited	Audited	Audited
Total Operating Income (NPR Mn)	387	531	599
EBITDA Margin (%)	2.12	17.48	13.09
Interest Coverage Ratio (x)	0.14	1.45	1.61
Current Ratio (x)	3.50	3.34	1.38
Total Debt/GCA (years)	-9.27	17.64	19.25
Overall Gearing Ratio (x)	4.47	3.44	3.53

Earnings before Interest Tax Depreciation Amortization (EBITDA)
**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	Long Term	281.704	IRN BB-
Fund Based Bank Facilities- Working Capital Loan	Short Term	120.00	IRN A4
Non-Fund Based Bank Facilities- LC & BG	Short Term	260.00	IRN A4
Total Facilities		**661.704**	

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About Infomerics Credit Rating Nepal Limited:
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