PRESS RELEASE

JAGDAMBA FLOUR & AGRO PRIVATE LIMITED

July 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	404.44 (enhanced from 298.40)	IRN B+	Reaffirmed and removed from "Issuer not cooperating" category and watch with negative implications
Short Term Bank Facilities	350.00 (decreased from 1,241.60)	IRN A4	Reaffirmed and removed from "Issuer not cooperating" category and watch with negative implications
Total	**754.44**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN B+ (Single B Plus) assigned to the long-term bank facilities of NPR 404.44 Mn and IRN A4 (A Four) to short term bank facilities of NPR 350.00 Mn. The ratings have been removed from Issuer Not Cooperating category and watch with negative implications.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Jagdamba Flour & Agro Private Limited (JFAPL) factors in the company's return to profitability in FY25, reporting a marginal Profit After Tax (PAT) of ~NPR 8 Mn following severe losses in the preceding years. This turnaround was supported by a significant capital infusion, which increased the paid-up capital to ~NPR 804 Mn in FY25, thereby stabilizing the company's tangible net worth. The ratings continue to draw strength from the extensive experience and strong parentage of the Shanker Group, one of Nepal's largest conglomerates.

However, the ratings remain constrained by a leveraged capital structure and weak debt coverage. The company also manages a large working capital requirement, reflected in an elongated operating cycle of 302 days driven by high inventory needs to mitigate seasonal wheat deficits and competitive credit terms provided to customers.

Furthermore, the removal of the ratings from Rating Watch with Negative Implications is primarily based on the assessment of Infomerics Nepal that the company's operations continue to run as in the ordinary course of business, there has been no material adverse change in its financial condition, and its debt servicing obligations continue to be met in a timely manner as of the review date.

Furthermore, Infomerics Nepal has received a Management Certificate confirming the same, as stated above. Infomerics Nepal will continue to monitor the company's operational and financial performance, and debt servicing ability. Going forward, any material changes in these factors, or any developments that could have a bearing on its credit risk profile will remain key rating sensitivities. Alos, the ability of JFAPL to manage growth and improve margins while rationalizing its debt through efficient working capital management remains a key monitorable.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Improvement in profitability

JFAPL reported a Total Operating Income (TOI) of ~NPR 608 Mn in FY25, representing a year-on-year contraction of approximately 27% from ~NPR 834 Mn in FY24. Refined products, including maida, atta, and suji, remained the dominant revenue contributors. Despite the reduced scale, operating profitability stabilized with an EBITDA margin of 6.31%. Most notably, the company achieved an operational turnaround, reporting a marginal net profit of ~NPR 8 Mn (PAT margin of ~1.24%) in FY25, following a net loss of ~NPR 231 Mn in the preceding year. This recovery resulted in positive gross cash accruals (GCA) of NPR 78 Mn, a significant improvement over the negative GCA of NPR 97 Mn in FY24, reflecting enhanced cash generation from operations.

Parentage of experienced promoter group supported by proficient management team
JFAPL is an integral part of the Shanker Group, drawing operational and strategic strength from the promoters' dominant multi-sector presence across Nepal in heavy industries and services, including steel, cement, polymers, trading, hospitality, etc. The group's extensive industrial footprint provides JFAPL with a significant competitive advantage and established market reach. Furthermore, the company's day-to-day operations are handled by a proficient management team consisting of technically qualified professionals. This leadership team's deep understanding of market dynamics enables the company to maintain sound, long-term relationships with its suppliers and a diverse customer base.

Diversified product portfolio with stable demand of supplied products
JFAPL specializes in a variety of wheat-based products, including maida, aata, suji, and choker, which are critical components of the staple Nepalese diet and industrial FMCG sectors. The company sells its products under the well-established domestic brand name "Jagdamba" and the export brand "Shakti Bhog". JFAPL offers an extensive range of packaging options (from 1 kg to 50 kg) to cater to different customer segments, allowing the company to effectively serve both household consumers (B2C) and large corporate industrial clients (B2B), such as noodle factories. Furthermore, as these products are fundamental staples of Nepalese cuisine, demand prospects remain largely stable.

Key Rating Weaknesses

Leveraged capital structure and weak debt service coverage indicators
JFAPL's capital structure remains significantly leveraged, although it showed significant improvement in FY25 following a substantial capital infusion that increased paid-up capital to ~NPR 804 Mn to offset prior years of severe tangible net worth erosion. Consequently, the overall gearing ratio improved to 6.36x as of mid-July 2025 from a critical 20.17x in FY24. Despite a return to marginal profitability, the company's debt coverage indicators remain weak; the interest coverage ratio stood at 0.48x in FY25, reflecting a slight recovery from 0.36x in FY24, yet indicating that operating profits were still insufficient to fully cover interest obligations. Similarly, the debt service coverage ratio (DSCR) remains low at 0.60x in FY25, up from negative levels in the previous year, highlighting a continued lack of cushion in the company's debt-servicing capability.

Working Capital intensive nature of operations
JFAPL continues to operate under a highly working-capital-intensive business model, reflected in its high dependence on external bank finance where fund-based limit utilization remains on the higher side at ~90%, and up to 100% during peak wheat purchase seasons. The inherently seasonal nature of raw material procurement, driven by the domestic wheat deficit, necessitates the maintenance of significant stock levels to ensure uninterrupted production, with the average inventory holding period recorded at 116 days in FY25. Furthermore, the company faces pressure from a competitive industry environment that requires providing extended credit terms to customers, evidenced by an average collection period that deteriorated to 200 days in FY25 from 165 days in FY24.

Seasonal agro products in a competitive industry
JFAPL's core manufacturing operations are centered on wheat, a seasonal agricultural commodity whose yield and pricing are highly susceptible to agro-climatic risks, including monsoon patterns, irrigation availability, and pest outbreaks. As domestic production is insufficient to meet the national requirement, the company is heavily reliant on imports from India to sustain its milling activities.

These operations are further vulnerable to regulatory uncertainties, such as the export prohibitions imposed by India in May 2022, which caused refined flour prices in Nepal to spike by up to 40%. Because raw material costs typically constitute major portion of total operating income, even minor price fluctuations significantly impact profitability. Furthermore, the industry is characterized by intense fragmentation and competition from numerous organized and unorganized players, facilitated by low entry barriers and minimal capital requirements.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

Past Rating Rationale:
Jagdamba Flour & Agro Private Limited: Bank Facilities Rating Revised and moved to Issuer Not Cooperating category with notice of withdrawal

About the Company:
Incorporated in August 2015, Jagdamba Flour & Agro Pvt. Ltd.is a manufacturing unit having its plant located at Bhairahawa, Rupandehi. It processes wheat for production of maida, aata, suji, choker and other allied products under the brand name "Jagdamba" and "Shakti Bhog". The total installed capacity for wheat product is 38,200 MTPA.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	956	826	834	608
EBITDA Margin (%)	6.21	12.67	6.29	6.31
Interest Coverage Ratio (x)	0.43	0.57	0.36	0.48
Current Ratio (x)	1.06	1.24	1.02	1.02
Overall Gearing Ratio (x)	4.75	5.45	20.17	6.36
TOL/TNW (x)	5.80	6.56	20.56	6.44

**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	Long Term	304.44	IRN B+
Fund Based Bank Facilities - Permanent Working Capital Loan	Long Term	100.00	IRN B+
Fund Based Bank Facilities – Cash Credit	Short Term	100.00	IRN A4
Fund Based Bank Facilities – Short Term Loan	Short Term	250.00	IRN A4
Total Facilities		**754.44**	

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About Infomerics Credit Rating Nepal Limited:
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