PRESS RELEASE

SAURABH FOOD PRODUCTS PRIVATE LIMITED

July 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	1,041.50 (reduced from 1,187.42)	IRN B	Reaffirmed
Short Term Bank Facilities	2,310.00 (enhanced from 1,440.00)	IRN A4	Reaffirmed
Total	**3,351.50**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN B (Single B) to the long-term bank facilities of NPR 1,041.50 Mn and IRN A4 (A Four) to short term bank facilities of NPR 2,310.00 Mn.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Saurabh Food Products Private Limited (SFPP) factor in the significant improvement in the company's operating profitability, with the EBITDA margin increasing to 6.98% in FY25 from negative in FY24, primarily driven by better realizations in mustard oil and a more favorable product mix. The ratings also derive strength from SFPP's association with the established KL Dugar Group, which has a long operating track record and extensive experience across diversified business segments, supported by a proficient management team. Further, the company benefits from its strategic location near the Indian border, which facilitates raw-material procurement and movement of finished goods, moderate capacity utilization, and established brand recognition backed by a prominent corporate group.

The ratings strengths are, however, constrained by SFPP's highly leveraged capital structure, weak debt service coverage indicators, and working capital-intensive nature of operations arising from sizeable inventory requirements, seasonal availability of raw materials, and extended operating cycle. The company also remains exposed to volatility in raw-material prices, foreign exchange, and regulatory risks pertaining to the food-processing and edible-oil industry. Going forward, SFPP's ability to sustain growth in its scale of operations while maintaining profitability, improve its capital structure and debt coverage indicators, and strengthen its liquidity profile through efficient working capital management will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established and long track record of operation with experienced promoters and management personnel

SFPP has been in operation for more than two decades in processing and manufacturing of rice, mustard oil and trading of lentils and soya chunks. Further, SFPP is a part of KL Dugar Group having strong presence in Nepal through their group entities in various industries like food grain, packaging, herbal extraction, hydropower, cement, construction and banking & finance. Mr. Naresh Dugar, Managing Director has over two decades of experience in trade and industry. He also holds directorship in various other group companies.

Improving financial profile

SFPP generates its revenue from the sale of a diversified range of products including rice, mustard oil, dal, mustard cake, soya chunks, and others. The company's total operating income remained largely stable at NPR 3,044 Mn in FY25 as against NPR 3,061 Mn in FY24. However, the company reported a significant improvement in its operating performance, with EBITDA margin increasing to 6.98% in FY25 from negative in FY24, primarily driven by improved realizations in mustard oil and a more favorable product mix. Consequently, profitability also improved, with PBT margin turning positive to 0.09% in FY25 from negative in FY24. Further, gross cash accruals (GCA) improved to NPR 13 Mn in FY25 from negative in FY24. Going forward, SFPP's ability to improve its revenue profile and profitability margins will remain key monitorable.

Proximity to Indian border and moderate capacity utilization

The SFPP plant's strategic location near the Indo-Nepal border allows for significant savings in freight costs for raw materials imported from India, enhancing its cost efficiency and competitive advantage. While the average capacity utilization is moderate at ~35% for rice and ~20% for oil over the past three years ending FY25, this presents a valuable opportunity for growth. With a total installed capacity of 61,320 metric tons per annum (MTPA) for rice mill and 18,250 MTPA for oil mill, SFPP is well-positioned to optimize production and implement strategic initiatives, such as improving marketing efforts and diversifying product lines, to better align with market demand and fully leverage its capabilities.

Trusted brand recognition backed by established and prominent corporate group

Through its affiliate company, KL Dugar Group supplies more than 180 product items of rice, pulses, cereal, baby food, spices, tea, flours, edible oil and other food grains in different packages, from its own sales depots. SFPP sales rice and others under brand "Gyan" with Mustard oil under brand "Bigul" and "Gyan", in a varied quantity. Established brand image backed by the longstanding experience of promoters is further expected to reduce the impact of competition induced volatility in prices and maintain a significant presence in the Nepalese market with healthy turnover.

Key Rating Weaknesses

Highly leveraged capital structure and weak debt service coverage indicators

The company's total debt increased to NPR 2,974 Mn as at mid-July 2025 from NPR 2,339 Mn at the end of FY24, comprising term debt of NPR 1,252 Mn and working capital loans of NPR 1,722 Mn. The overall gearing ratio remained negative in FY25 and FY24, despite improvement in tangible net worth amid increase in total debt. The company continues to have a challenging capital structure, marked by negative net worth and high reliance on borrowings. The interest coverage ratio improved significantly to 1.01x in FY25 from negative in FY24, supported by improvement in EBITDA. Further, total debt to gross cash accruals became positive at 224.15x in FY25 from negative in FY24 and in FY23. However, the company's debt service coverage ratio remained below unity due to low profitability and high interest cost. Overall, the debt coverage indicators continue to remain weak, reflecting modest cash accruals against high debt levels.

Working capital intensive nature of business

The operations of the company are working capital intensive in nature. SFPP is involved in processing of paddy and mustard oil seeds into various other edible items by procuring raw material both locally and by importing from India and other countries. SFPP purchases raw materials from various farmers, stockiest, and traders in the domestic market and receive a week credit period. SFPP procure raw materials of rapeseed from Ukraine, Canada, Singapore, Australia which cover lead period of 2-3 months. SFPP procure the raw materials through LC at sight and payment is done at the spot rate. Due to seasonal nature of raw materials, SFPP maintains stock for around 4-5 months for smooth operations. Average inventory days was 214 days in FY25 increased from 163 days in FY24, and average collection days was 64 days in FY25 vis-à-vis 58 days in FY24. Total operating cycle of the company increased to 266 days in FY25 from 213 days in FY24. This had led to high reliance of the company on the bank finance for working capital needs. Working capital intensity increased to ~75% at the end of FY25 from ~51% in FY24.

Seasonal agro products in competitive industry
Being an agricultural commodity, planting, production, and prices are highly influenced by the timing and intensity of the monsoon rain, as well as the area being produced, the yield for the year, the demand-supply situation, and inventory carryover from the previous year. Further, milling industry 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

Past Rationale:
Saurabh Food Products Private Limited: Bank Loan Rating Reaffirmed and removed from Issuer not Cooperating Category

About the Company:
Incorporated in May 1999, Saurabh Food Products Private Limited (SFPP) is a private limited company established with an objective of manufacturing and trading of rice, edible oil and other food products. Its plant is located in Chhata Pipra-03, Bara, Nepal and has installed capacity of 61,320 MTPA in rice segment with crushing capacity of 18,250 MTPA in Mustard Oil. It is a part of KL Dugar Group promoted by Mr. Naresh Dugar and Mr. Kumud Dugar.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23[1]	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	2,210	2,196	3,061	3,044
EBITDA Margin (%)	6.47	Neg.	Neg.	6.98
Interest Coverage Ratio (x)	1.02	Neg.	Neg.	1.01
Total Debt/ EBITDA (x)	8.72	Neg.	Neg.	14.00
Current Ratio (x)	1.15	1.13	0.90	1.25
Overall Gearing Ratio (x)	62.22	Neg.	Neg.	Neg.

**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	1,041.50	IRN B
Fund Based Bank Facilities- Working Capital Loan	Short Term	2,310.00	IRN A4
Non-Fund Based Bank Facilities- LC[1]	Short Term	(500.00)[1]	IRN A4
Total Facilities		**3,351.50**	

[1]*Letter of credit is within CCL TR/STDL-OC/STDL Adhoc Limit*

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[1]SFPP had carried out first time adoption of Nepal Financial Reporting Standard (NFRS) from FY24 onwards resulting with the financial metrics for FY23 has changed according to "NFRS 1- First Time Adoption of NFRS"

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About Infomerics Credit Rating Nepal Limited:
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