PRESS RELEASE

VIKAS FOOD PRODUCTS PRIVATE LIMITED

September 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	1,433.59 (Enhanced from 745.90)	IRN BB+	Reaffirmed
Short Term Bank Facilities	1,155.80 (Enhanced from 1,255.82)	IRN A4+	Reaffirmed
Total	**2,589.39**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB+ (Double B Plus) to the long-term bank facilities of NPR 1,433.59 Mn and IRN A4+ (A Four Plus) to short term bank facilities of NPR 1,155.80 Mn.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Vikas Food Products Private Limited (VFP) factors its established track record of operations of more than three decades. VFP benefits from experienced promoters, trusted brand recognition of "Gyan" and "Aashirbad", and its wide product diversification which supports consistent demand. The ratings also take comfort from its proximity to Indian border, moderate capacity utilization and support from established K.L. Dugar Group. The ratings further factor in moderate financial profile characterized by a stable demand.

The rating strengths are, however, constrained by VFP's declining operating profitability, raw material price volatility risk, seasonality associated with agro products in competitive industry, exposure to volatile interest rates and working capital intensive nature of business. Going forward, ability of the company to improve its leverage profile while improving the profit margins and efficient working capital management will remain the key rating sensitivities. Also, the company's ability to enhance working capital efficiency, and improve capacity utilization will remain key monitorable.

Detailed Description of Key Rating Drivers

Key Rating Strengths

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

VFP has been engaged in the production of atta, maida, rice, and different variety of grain-based food products since 1994 and operates under the umbrella of the K.L. Dugar Group-one of Nepal's prominent industrial houses with diversified interests across edible oil, hydropower, banking, packaging, and trading. The promoters, Mr. Naresh Dugar and Mr. Kumud Dugar, have over two decades of experience in the food and agro-processing sectors. Their involvement has enabled VFP to access group-wide distribution synergies and maintain strong supplier and customer relationships, which continues to support its business stability.

Strategic location of the plant and moderate capacity utilization

The company's manufacturing facility is located in Kohalpur-14, Banke, which is ~18 kilometers from the Indo-Nepal border at Rupaidiha, facilitating cost-effective imports of key raw materials from India. This proximity helps reduce logistics costs and lead time. Moreover, VFP operates an extensive distribution network across 14 depots, ensuring widespread market access. Also, the capacity utilization of major products (Maida, Atta, Suji, Bran) of VFP improved at ~73% in 9MFY26, improving from ~68% in FY24 and FY25. The company has total installed capacity of ~52,000 MTPA for Maida, Atta, Suji and Bran as on mid-April 2026.

Diversified product portfolio supported by established brand presence

The company offers a wide range of agro-food products including atta, maida, rice, spices, puffed rice, and snacks under popular brands such as "Gyan" and "Aashirbad." The brand is well-recognized across Nepal and caters to both rural and urban segments. This brand strength helps VFP maintain customer loyalty, ensure recurring demand, and reduce competitive pressures from new entrants or imported substitutes.

Key Rating Weaknesses

Moderate financial performance

VFP's financial performance remained broadly stable, albeit with moderation in profitability during FY24-9MFY26. Total operating income (TOI) declined marginally by ~0.89% from ~NPR 2,744 Mn in FY24 to ~NPR 2,720 Mn in FY25, primarily due to a slight decline in sales volume amid constraints in raw material availability and procurement, partially offset by an improvement in average sales realization. The company recorded TOI of ~NPR 2,202 Mn in 9MFY26. The EBITDA margin moderated from 5.80% in FY24 to 5.10% in FY25 and further to 4.73% in 9MFY26, mainly due to volatility in global raw material prices and consequent pressure on input costs. Consequently, PAT declined from ~NPR 3 Mn in FY24 to ~NPR 1 Mn in FY25; however, it improved to ~NPR 11 Mn in 9MFY26. Gross cash accruals (GCA) improved from ~NPR 18 Mn in FY24 to ~NPR 20 Mn in FY25 and further to ~NPR 27 Mn in 9MFY26.

Leveraged capital structure with modest debt protection metrics

Total debt of the company increased from NPR 1,643 Mn at the end of FY24 to NPR 1,958 Mn at the end of FY25, before declining to ~NPR 1,483 Mn as of mid-April 2026. The increase in long-term borrowings was primarily attributable to the permanent working capital loan, financing for expansion of the Maida and spices plants, and construction of the corporate office building in Nepalgunj. Consequently, overall gearing deteriorated from 3.74x in FY24 to 4.45x in FY25; however, it improved to 3.29x in 9MFY26, supported by lower utilization of working capital borrowings and an improvement in tangible net worth to ~NPR 451 Mn from ~NPR 440 Mn in FY25. Debt protection indicators remained modest, with interest coverage improving from 1.12x in FY24 and 1.14x in FY25 to 1.36x in 9MFY26, while DSCR remained below unity at 0.86x in 9MFY26, indicating constrained debt-servicing ability.

Working capital intensive nature of business

The operations of the company are working capital intensive in nature. VFP is involved in processing of paddy and wheat into various other edible items by procuring raw material both locally and by importing from India. Majority of raw materials wheat and paddy and packing materials are imported from India which are procured through LC at sight. VFP purchases raw materials from various farmers, stockiest, and traders in the domestic market and receive a week credit period. Due to seasonal nature of raw materials, VFP maintains stock for around 3-6 months for smooth operations. Accordingly, the average inventory period increased from 87 days in FY24 to 125 days in FY25. Further, the company generally extends credit of around one to two months to customers, with the average collection period increasing from 60 days in FY24 to 61 days in FY25. Consequently, the operating cycle elongated from 140 days in FY24 to 177 days in FY25. Working capital intensity increased to ~53% at the end of FY25 from ~36% in FY24.

Raw material price volatility risk and exposure to regulatory risk

VFP's key raw materials, primarily wheat and paddy, are largely imported from India, with raw material costs accounting for ~80–85% of the company's total operating income. As a result, fluctuations in input prices have a direct bearing on profitability. The company is also exposed to regulatory risks stemming from policy changes in both Nepal and India. Recent changes in India's wheat export policy, including the introduction of export quotas to Nepal, have disrupted supply timelines and increased procurement uncertainty. Any further unfavorable regulatory shifts could impact the firm's profitability going forward.

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:
Vikas Food Products Private Limited: Bank Facilities Rating Assigned

About the Company:
Vikas Food Products Private Limited (VFP) was incorporated on March 15, 1994 for processing and manufacturing of different varieties of flour products. VFP started trading of different varieties of beans, spices, litto, processing of paddy into rice, value addition by ageing of purchased rice and production of beaten rice, puffed rice, different varieties of flour and wheat. Its plant is located in Kohalpur-14, Banke, Nepal. VFP is promoted by K.L. Dugar group, having more than three decades of operational track record across various sectors.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	9MFY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	2,252	2,797	2,744	2,720	2,202
EBITDA Margin (%)	6.60	7.85	5.80	5.10	4.73
Interest Coverage Ratio (x)	1.60	1.47	1.12	1.14	1.36
Total Debt/ EBITDA (x)	9.10	6.65	10.33	14.11	14.23
Current Ratio (x)	0.89	0.90	1.47	1.18	1.90
Total Outside Liabilities/Tangible Net worth (x)	10.14	8.05	4.08	4.69	4.12
Overall Gearing Ratio (x)	9.25	7.46	3.74	4.45	3.29
Working Capital Intensity (%)	36	33	36	53	38

**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	1,433.59	IRN BB+
Fund Based Bank Facilities- Working Capital Loan	Short Term	1,100.00	IRN A4+
Non-Fund Based Bank Facilities- LC and BG[1]	Short Term	55.80	IRN A4+
Total Facilities		**2,589.39**	

[1]LC and BG: Letter of Credit and Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:
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