PRESS RELEASE

VIVEK AUTOMOBILES PRIVATE LIMITED

September 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	456.75 (reduced from 586.60)	IRN BB-	Reaffirmed and removed from "Issuer Not Cooperating" Category
Short Term Bank Facilities	920.00 (reduced from 1,220.00)	IRN A4	Reaffirmed and removed from "Issuer Not Cooperating" Category
Total	**1,376.75**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB- (Double B Minus) assigned to the long-term bank facilities of NPR 456.75 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 920.00 Mn. Also, the ratings have been removed from Issuer Not Cooperating category.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Vivek Automobiles Private Limited (VAMPL) continues to draw comfort from the extensive experience of its promoters/group, "M.V. Dugar Group", along with support from a proficient management team. Further, the established track record of operations of the group, particularly in the automobile industry through its group entities, provides additional comfort.

These rating strengths, however, are constrained by the company's deteriorated operational and financial profile, characterized by operational losses, moderately leveraged capital structure, and weak debt protection metrics during FY24-FY25. The ratings remain further constrained by the company's limited bargaining power with the principal automobile manufacturer, cyclical nature of the automobile industry, intense competition among automobile players, exposure to regulatory risk, working capital-intensive nature of operations, and elongated operating cycle. Going forward, the company's ability to secure new distributorship agreements, improve its scale of operations, and demonstrate prudent working capital management amid changing government regulations will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Parentage of experienced MV Dugar Group with experienced promoter and experienced management team

VAMPL is a part of MV Dugar Group and derives its strength from promoters having strong presence in Nepal through their group entities in construction, automobiles trading, hydropower, insurance and banking. Along with VAMPL, the group has presence in vast range of automobile companies in various segments including two-wheeler vehicles, commercial vehicles, Agri solution and construction equipment. The company is managed by Mr. Vivek Dugar, who is also a sole promoter of the company. Further, the promoter is supported by a team of technically qualified and experienced professionals to run the day-to-day operations of the company.

Established and long track record of operations:
VAMPL has an operational track record of more than a decade in the trading of two-wheelers, three-wheelers, four-wheelers, commercial vehicles, spare parts, services, and accessories. Further, the MV Dugar Group has been active in the industry for more than five decades, primarily across construction, trading, and service sectors. This longstanding presence and established market position support the company's business profile through strong customer and supplier relationships.

Key Rating Weaknesses

Deteriorated operational and financial profile in the recent year
The company's operational and financial profile has weakened in recent years, with TOI declining from ~NPR 1,701 Mn in FY23 to NPR 1,068 Mn in FY24 and remaining stable at NPR 1,067 Mn in FY25, mainly due to subdued demand. The EBITDA margin also deteriorated from 2.99% in FY23 to negative levels in FY24 and FY25, driven by increased cost pressures, and additional burden arising from the company's policy of repossessing vehicles in cases of customer default under instalment-based sales, which has led to higher inventory levels and associated costs. However, the PAT margin improved slightly from 0.08% in FY23 to 0.22% in FY24 and 0.33% in FY25, supported by non-operating income.

Moderate capital structure and debt coverage indicators
The company's tangible net worth improved marginally from NPR 617 Mn in FY24 to NPR 621 Mn in FY25, supported by profit accretion. The overall gearing ratio also strengthened to 1.31x as of mid-July 2025 from 1.64x in FY24 and 1.48x in FY23, indicating a relatively improved capital structure. However, the interest coverage ratio was significantly impacted due to the sharp decline in EBITDA, resulting in negative coverage levels in FY24 and FY25. Despite this, the DSCR improved to 1.40x in FY25 from 1.32x in FY24, largely supported by non-operating income.

Working capital intensive nature of business
Dealership business has inherent high working capital intensity due to high inventory holding requirements and credit to the customers. The company has to maintain fixed level of inventory for display and high level of inventory to guard against supply shortages as the supply is totally dependent upon imports. Further, the manufacturers/ suppliers demand the payment in advance or in minimal credit and deliver vehicles only after receipt of full payment or against the letter of credit from banks. Thus, the business depends heavily on working capital borrowings and inventory funding channels. As of FY25, inventory holding period improved to 92 days from 123 days in FY24, while the operating cycle moderated to 614 days from 690 days. However, the collection period continued to remain elevated at 524 days (FY24: 569 days), primarily due to financing extended through its sister concern. Consequently, the company's working capital intensity remained high at ~115% in FY25.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

Past Rating Rationale:
Vivek Automobiles Private Limited: Bank Facilities Rating Revised and moved to Issuer Not Cooperating category with notice of withdrawal

About the Company:
Incorporated on December 31, 2015, Vivek Automobiles Private Limited (VAMPL) is an authorized dealer for the sales, service, and spare parts of the John Deere range of tractors in Nepal. Additionally, the company has distributorships for Mahindra & Mahindra, BKT Tyre, and Tata Hitachi. VAMPL is a part of the M.V. Dugar Group, with Mr. Vivek Dugar serving as the Chairman and sole shareholder of the company.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	5,123	1,701	1,068	1,067
EBITDA Margin (%)	2.67	2.99	Neg	Neg
Interest Coverage Ratio (x)	1.59	0.42	Neg	Neg
Current Ratio (x)	1.31	1.61	2.00	2.21
Overall Gearing Ratio (x)	1.35	1.48	1.64	1.31
TOL/TNW (x)	3.05	3.14	2.66	2.10
Working Capital Intensity	29%	70%	132%	115%

**Classification as per Infomerics Nepal standards*
EBITDA: Earnings Before Interest, Depreciation, Amortization and Tax
TOL/TNW: Total Outside Liabilities/ Tangible Net worth

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	456.75	IRN BB-
Fund Based Bank Facilities- Short Term Loan	Short Term	590.00	IRN A4
Non-Fund Based Bank Facilities- LC/BG[1]	Short Term	330.00	IRN A4
Total Facilities		**1,376.75**	

[1]Letter of Credit/Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:
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