

PRESS RELEASE

EVEREST SUGAR & CHEMICAL INDUSTRIES LIMITED

October 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	8.50 (reduced from 87.00)	IRN BBB-	Reaffirmed
Short Term Bank Facilities	1,860.00 (reduced from 1,950.00)	IRN A3	Reaffirmed
Long Term/Short Term Bank Facilities	1,030.00	IRN BBB-/A3	Reaffirmed
Total	2,898.50		

Details of facilities are in Annexure 1 below

Infomerics Nepal has reaffirmed the rating of IRN BBB- (Triple B Minus) assigned to the long-term bank facilities of NPR 8.50 Mn, IRN A3 (A Three) to the short-term bank facilities of NPR 1,860.00 Mn, and IRN BBB- (Triple B Minus) / A3 (A Three) to the long term/short term bank facilities of NPR 1,030.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Everest Sugar & Chemical Industries Limited (ESCIL) factor in the ~40% y-o-y growth in revenue in FY26, driven by higher sales volume, partly supported by the export ban on sugar by India since the last quarter of FY26, along with advance collection from customers against sugar supplies scheduled for Q1FY27. The ratings continue to derive comfort from the company's moderate capital structure and healthy, albeit moderated, debt coverage indicators, which remain at comfortable levels. The ratings also factor in ESCIL's established operational track record, backed by an experienced promoter group and professional management team. Further, the company's 9 MW captive power generation facility, utilizing bagasse generated as a by-product of sugar production, supports operational efficiency, with 3 MW supplied to Nepal Electricity Authority (NEA) under a Power Purchase Agreement (PPA) and the remaining capacity utilized for captive consumption.

Nonetheless, the ratings remain constrained by the declining operating profit margins over successive financial years, driven by lower average realizations amid successive reductions in import duties and an increase in the minimum support price (MSP) of sugarcane. The company's operating performance remains susceptible to agro-climatic risks, which may affect sugarcane availability, capacity utilisation and sugar recovery rates. Further, the operating and financial profile of domestic sugar mills, including ESCIL, remains exposed to volatility in global sugar prices, particularly in the wake of the significant reduction in import duty protection by the Government of Nepal (GoN), which could exert further pressure on domestic realizations and profitability. The company's moderate to high working capital intensity, with seasonal funding requirements peaking during the crushing season, also constrains its liquidity profile. Going forward, ESCIL's ability to ensure adequate sugarcane availability, sustain operating margins, efficiently manage working capital requirements and maintain a comfortable capital structure and debt coverage indicators will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established track record with experienced promoters and management team

Incorporated in 1994, ESCIL benefits from an extensive operational track record spanning nearly three decades. The company is promoted by members of the Saraff and Agrawal families, who possess diverse expertise across manufacturing—particularly in the sugar industry—trading, and hospitality. This long-standing experience is complemented by a seasoned management team with strong domain knowledge and established relationships with key stakeholders, including suppliers and customers. The promoters' industry insights and the management team's operational efficiency are key contributors to ESCIL's resilience and competitive positioning, underpinning its ability to navigate sectoral challenges effectively.

Moderate financial performance

ESCIL's financial performance remained moderate, with revenue increasing by ~40% y-o-y to NPR 3,002 Mn in FY26, supported by higher sales volumes following the export ban on sugar imposed by India from May 2026, which increased demand for domestically produced sugar. However, the benefit of higher volumes was partly offset by competitive market dynamics, resulting in lower selling prices and moderation in operating profit margin to 11.40% in FY26. Further, PAT margin declined significantly to 6.46% in FY26 from 12.94% in FY25, primarily due to higher interest costs coupled with the moderation in operating profitability.

Moderate capital structure with comfortable debt coverage indicators

ESCIL's capital structure remained moderate in FY26, with overall gearing improving to 1.19x as of mid-July 2026 from 1.26x as of mid-July 2025, supported by a reduction in working capital and long-term borrowings. However, TOL/TNW increased to 1.57x in FY26 from 1.40x in FY25, indicating some increase in total outside liabilities relative to the net worth base. Further, moderation in profitability during FY26 resulted in some weakening in debt coverage indicators; nevertheless, the company continued to maintain comfortable debt servicing capacity, with interest coverage ratio at 6.04x (FY25: 9.58x) and DSCR at 3.16x (FY25: 4.14x), providing adequate cushion for servicing its debt obligations.

Key Rating Weaknesses

Exposure to raw material availability and price volatility

ESCIL remains susceptible to risks arising from the availability and pricing of sugarcane, which constitute the key raw material for its operations. Although cane crushing volumes have witnessed some improvement, the declining sugar recovery rates in recent seasons highlight operational inefficiencies. The presence of additional players in the region has intensified competition for cane procurement, potentially affecting timely and adequate supply. Moreover, the government-determined minimum support price (MSP) continues to influence the company's cost structure and profitability, with any future revision remaining a key monitorable.

Regulatory and import driven challenges to domestic players

Domestic sugar manufacturers, including ESCIL, remain exposed to competitive pressure from imported sugar, as domestic realizations are largely influenced by the landed cost of imports. The reduction in customs duty on sugar to 15% from 30% under the FY26 budget by the Government of Nepal (GoN) is expected to intensify import competition, thereby exerting pressure on domestic realizations and operating margins. However, the recent ban on sugar exports by India has supported domestic demand and improved average realizations, providing some near-term relief to local manufacturers. Going forward, the continuation of adequate import duty protection and stability in global sugar prices will remain important for sustaining the profitability of domestic sugar producers, including ESCIL.

Susceptibility to industry cyclical and agro-climatic risks

The sugar industry remains inherently cyclical and exposed to agro-climatic factors such as erratic

rainfall, pest infestations, and variations in crop yield and recovery rates. As sugarcane is an agro-based commodity, any adverse weather conditions or crop damage directly impact cane availability and production efficiency. The decline in sugar recovery rates observed in FY24 and FY25 highlights the sector's vulnerability to such risks. Consequently, the inherent cyclical nature of the industry and the resulting cash flow volatility continue to pose rating sensitivities for ESCIL.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Everest Sugar & Chemical Industries Limited: Surveillance Bank Facilities Rating Reaffirmed](#)

About the Company:

Incorporated in July 1993, ESCIL is a public limited company having its head office at Janakpur of Dhanusha District. ESCIL is an agro-base sugar manufacturing company with an installed sugarcane crushing capacity of 5,500 TCD. In FY21 ESCIL, shifted its production from regular/normal sugar to double refined Sulphur free sugar. The manufacturing unit is located at Gaushala of Mahottari District. ESCIL has co-generation power plant capacity of 9MW with signed a PPA for 3MW of excess electricity to NEA. ESCIL is promoted by the Saraff family and Agrawal family having extensive experience in sugar industry.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	1,326	3,320	2,150	3,002
EBITDA Margin (%)	17.58	21.48	19.75	11.40
Interest Coverage Ratio (x)	2.62	16.92	9.58	6.04
Current Ratio (x)	1.25	1.59	1.24	1.06
TOL/TNW (x)	2.45	0.86	1.40	1.57
Overall Gearing Ratio (x)	2.03	0.31	1.26	1.19
DSCR (x)	1.60	6.29	4.14	3.16

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Total Outside Liabilities/Tangible Net Worth (TOL/TNW)

*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	8.50	IRN BBB-
Fund Based Bank Facilities- Working Capital Loan	Short Term	1,860.00	IRN A3
Non-Fund Based Bank Facilities- Bank Guarantee	Long Term/ Short Term	1,030.00	IRN BBB-/A3
Total Facilities		2,898.50	

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About Infomerics Credit Rating Nepal Limited:

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