

PRESS RELEASE

NEPAL LIQUORS PRIVATE LIMITED

October 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	938.62 (enhanced from 903.05)	IRN B+	Upgraded from IRN B
Short Term Bank Facilities	1,029.00 (enhanced from 660.00)	IRN A4	Reaffirmed
Total	1,967.62		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating to IRN B+ (Single B Plus) from IRN B (Single B) assigned to the long-term bank facilities of NPR 938.62 Mn and reaffirmed IRN A4 (A Four) assigned to the short-term bank facilities of NPR 1,029.00 Mn.

Detailed Rationale

The upgradation of ratings assigned to the bank facilities of Nepal Liquors Private Limited (NLPL) primarily reflects the improvement in its revenue and profitability profile, with Total Operating Income (TOI) registering y-o-y growth of ~5% in FY25 and ~13% in FY26, supported by improved consumer demand resulting higher sales volumes and addition of new brands. The improved revenue profile, coupled with a significant reduction in advertisement and sales promotion expenses, supported an improvement in operating margins in FY25, although the margins moderated in FY26 following a marginal increase in such expenses. The ratings continue to draw comfort from NLPL's established market presence in Nepal's alcoholic beverage segment, supported by its longstanding operating track record of over three decades. The company also benefits from exclusive franchise arrangements providing access to a diversified portfolio of established brands, including "Signature Premier Grain Whiskey", "Signature Rare Aged Whiskey", "Smirnoff Vodka", "Mr. Dowell's Whiskey", "Antiquity Blue Ultra-Premium Whisky", "Royal Challenge Whiskey" and "Black Horse Whiskey". The established brand equity of these products, along with NLPL's distribution and market presence, supports its revenue profile and competitive position to an extent.

Nonetheless, the ratings remain constrained by NLPL's weak capital structure, characterized by a negative tangible net worth and a leveraged financial profile, primarily attributable to its modest scale of operations over the three fiscals ending FY25. However, debt protection metrics have exhibited gradual improvement in FY26, supported by recovery in operating profitability and a lower interest burden. The ratings are further constrained by the company's stretched liquidity profile, reflected in elevated working capital intensity (~109% in FY26) and near-full utilisation (~98% as of mid-April 2026) of its sanctioned working capital limits, indicating limited liquidity cushion. Additionally, the concentration risk arising from the revised distribution model, wherein sales are routed through a single related-party distributor, accentuates governance concerns. The ratings also remain exposed to risks associated with the highly regulated nature of Nepal's liquor industry, intense market competition and dependence on imported raw materials, which expose the company to supply chain disruptions and foreign exchange-related risks. Going forward, NLPL's ability to sustain revenue growth, maintain healthy profitability, efficiently manage its working capital cycle and strengthen its capitalisation and debt coverage indicators will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Improving revenue and operating profitability

NLPL has demonstrated improvement in its revenue and profitability profile, with Total Operating Income (TOI) growing by y-o-y ~5% in FY25 and ~13% in FY26, supported by improved consumer demand leading to higher sales volumes coupled with addition of new brands. Mr. Dowell's No.1 Luxury remained the key revenue contributor, accounting for ~52% of total revenue in FY26, followed by the Signature brands. The improved revenue profile, coupled with a significant reduction in advertisement and sales promotion expenses (~NPR 94 Mn in FY25 from ~NPR 317 Mn in FY24) supported improvement in operating margins in FY25, although such expenses increased to ~NPR 150 Mn in FY26. Consequently, the company reported a positive PAT margin in FY26, supported by improved operating profitability and lower interest expenses. Gross cash accruals (GCA) also improved to ~NPR 52 Mn in FY25 and ~NPR 91 Mn in FY26, from negative NPR 190 Mn in FY24, indicating an improvement in internal cash generation.

Long track record of operation aided by franchise agreement

NLPL (formerly United Spirits Nepal Private Limited) benefits from a track record of over three decades in the domestic alcoholic beverage industry, primarily in the whiskey segment, while also maintaining presence in other categories such as vodka. The company's operations are further supported by its exclusive franchise agreement, which allows access to a diverse and globally recognized product portfolio, thereby strengthening its competitive positioning in the market.

Demand of liquors and Tourism in Nepal

The demand outlook for liquor in Nepal remains favorable, supported by gradual shifts in consumption patterns and the ongoing expansion in the tourism and hospitality sectors. The increasing preference for domestically produced alcoholic beverages over imports bodes well for local manufacturers, aided by improving accessibility and brand presence across key urban centers. Additionally, the resurgence in tourism activity, evidenced by the rising number of hotels, resorts, and recreational establishments, is likely to drive incremental demand for alcoholic beverages in the institutional and retail segments. These trends collectively point towards a steady growth trajectory for the domestic liquor industry over the medium term.

Key Rating Weaknesses

Highly leveraged capital structure and modest debt coverage indicators, albeit improving

NLPL's capital structure remains highly leveraged, with negative tangible net worth (TNW) due to accumulated losses incurred over the last three fiscal years through FY25, resulting in negative gearing of 29.62x as of mid-July 2026, albeit improved from negative 40.77x as of mid-July 2025. Consequently, TOL/TNW also remained negative, reflecting the weak net worth position. However, debt servicing indicators have shown gradual improvement, supported by the recovery in operating profitability and lower interest burden, with interest coverage ratio improving to 1.61x in FY26 from 1.29x in FY25, while DSCR improved to 1.26x from 0.96x over the same period. Despite the improvement, coverage remains modest, leaving the company's debt servicing capacity sensitive to any weakening in operating performance.

Stretched liquidity profile

The company's liquidity position remains stretched, primarily driven by high working capital intensity and sustained near-full utilisation of its fund-based working capital limits. Working capital intensity moderated to ~109% in FY26 from ~122% in FY25; however, it remains elevated and indicates significant funds being tied up in operations. Further, average utilisation of fund-based working capital limits remained high, with utilisation reaching ~98% of the sanctioned limit as of mid-April 2026, leaving limited headroom to absorb any incremental working capital requirements. The sustained high utilisation underscores the company's high reliance on short-term bank borrowings to support its day-to-day operations, thereby constraining financial flexibility and increasing its vulnerability to any tightening in working capital requirements.

Highly regulated liquor industry

The liquor industry in Nepal remains highly regulated, with producers like NLPL operating under stringent government controls and one of the highest taxation regimes in the country. While the high import tariff on finished liquor offers a degree of protection and creates entry barriers favoring domestic players, any reduction or removal of such duties could materially impact NLPL's revenue visibility, margin profile, and debt servicing ability. Additionally, the steady year-on-year increase in excise tariffs, coupled with rising competition, may limit the company's ability to fully pass on cost escalations to end consumers, thereby exerting pressure on profitability. Regulatory restrictions on direct advertising reflected in the interim ban on liquor advertisements in mainstream media further constrain promotional flexibility, compelling players to rely on surrogate branding. Any unfavorable policy shifts in areas such as production, distribution, or taxation could therefore have a significant bearing on NLPL's operational and financial performance.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Nepal Liquors Private Limited: Bank Facilities Rating Revised and removed from Issuer not Cooperating Category](#)

About the Company:

Incorporated in 1982, Nepal Liquors Private limited (formerly known as United Spirits Nepal Private Limited) is one of the oldest company in liquor industry. Its plant is located in Tankisinwari-2, Biratnagar, Nepal. NLPL bottles and markets various spirits brands in Nepal, including "Signature Premier Grain Whiskey", "Signature Rare Aged Whiskey", "Smirnoff Vodka", "Mr. Dowell's Whiskey", "Antiquity Blue Ultra-Premium Whisky", "Royal Challenge Whiskey" and "Black Horse Whiskey". NLPL is a family-owned business where Mr. Rajesh Bir Singh Tuladhar is an executive chairman (holding ~99% of total shares as of mid-July 2025).

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	764	1,209	1,270	1,437
EBITDA Margin (%)	Negative	Negative	19.03	16.33
Interest Coverage Ratio (x)	Negative	Negative	1.29	1.61
Current Ratio (x)	1.65	1.32	1.30	1.43
Overall Gearing Ratio (x)	9.96	Negative	Negative	Negative
DSCR (x)	0.34	0.35	0.96	1.26
TOL/TNW (x)	14.63	Negative	Negative	Negative
Working Capital Intensity	180%	130%	122%	109%

*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	Term Loan	938.62	IRN B+
Fund Based Bank Facilities-Working Capital Loan	Short Term	906.50	IRN A4
Non-Fund Based Bank Facilities- Letter of Credit	Short Term	122.50	IRN A4
Total Facilities		1,967.62	

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About Infomerics Credit Rating Nepal Limited:

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