

PRESS RELEASE

SMART APPLIANCES PRIVATE LIMITED

October 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	474.24	IRN B+	Assigned
Short Term Bank Facilities	285.00	IRN A4	Assigned
Total	759.24		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN B+ [Single B Plus] to long term bank facilities of NPR 474.24 Mn and IRN A4 [A Four] to short term bank facilities of NPR 285.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Smart Appliances Private Limited (SAPL) factor in its established track record of over a decade in the home appliance trading and distribution business, supported by its association with KL Dugar Group, experienced promoter and management team, and established market presence through reputed brands including Skyworth, Livpure, Whirlpool and its own brand, Aura. The ratings also derive comfort from its strategically located warehouses and established distribution network across Nepal.

Nonetheless, the ratings remain constrained by its moderate scale of operations and weak profitability, with Total Operating Income (TOI) growing at a CAGR of ~6% during FY21-FY25, while EBITDA margin moderated to 4.83% in FY25, resulting in a net loss and negative GCA. The capital structure remains highly leveraged, with overall gearing ratio increasing to 4.86x and Total Outside Liabilities/Tangible Net worth (TOL/TNW) to 5.64x as of mid-June 2026, along with weak debt protection metrics. The ratings further factor in the working capital intensive nature of the business, reflected in an elongated operating cycle of 338 days in FY25. Furthermore, intense competition and dependence on imports expose SAPL to pricing pressure, supply chain disruptions, regulatory changes and foreign exchange fluctuations. Going forward, SAPL's ability to sustain improvement in profitability, strengthen its capital structure and efficiently manage working capital remains key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

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

SAPL has been in operation for more than a decade in home appliances. Further, SAPL 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 etc. Mr. Vikas Dugar, Managing Director, has over two decades of experience in trade and industry. He is also Joint Managing Director at KL Dugar Group and holds directorship in various other group companies. He is further supported by experienced management team across various functions.

Established market presence supported by reputed brand associations

SAPL benefits from its established presence in Nepal's home appliance distribution market and its association with reputed international brands. The company is the sole authorized distributor of Skyworth and Livpure in Nepal and an authorized dealer of Whirlpool, while also marketing its own brand, Aura. Furthermore, its strategically located warehousing facilities across major regions support

efficient inventory management, timely product distribution, and a wider market reach, strengthening its operational capabilities.

Key Rating Weaknesses

Moderate scale of operations albeit weak profitability

SAPL's financial profile reflects steady growth in its scale of operations, although profitability has remained constrained. Total Operating Income (TOI) increased at a five year CAGR of ~6%, reaching NPR 534 Mn in FY25 from NPR 423 Mn in FY21, supported by an expanding distribution network and healthy demand for home appliances. However, operating profitability remained modest, with an EBITDA margin of 4.83% in FY25, which has moderated from 9.49% in FY21, owing to intense competition and the inherently thin operating margins associated with the home appliance trading business along with higher purchase cost. The company incurred a net loss of NPR 15 Mn in FY25 mainly due to the high finance costs associated with its working capital intensive operations. In addition, Gross Cash Accruals (GCA) remained negative at NPR 17 Mn in FY25. During 11MFY26, the company reported improved operating performance, with TOI of NPR 552 Mn and an EBITDA margin of 6.55%, while it nearly broke even at the net level.

Highly leveraged capital structure

SAPL's capital structure remains stretched, primarily due to its dependence on external borrowings for funding working capital requirements. Total debt stood at NPR 423 Mn as of FY25 and increased to NPR 631 Mn as of 11MFY26, largely on account of higher short term borrowings. Therefore, the overall gearing ratio remained elevated at 3.24x as of mid-July 2025 and further deteriorated to 4.86x as of mid-June 2026, while the TOL/TNW ratio also remained high at 3.76x and 5.64x, respectively, reflecting the company's weak tangible net worth position. The promoters have extended financial support through unsecured advances, which provide some support; however, the capital structure continues to remain leveraged. Debt protection metrics also remained weak, with the interest coverage ratio at 0.47x in FY25, improving to 1.04x during 11MFY26 on the back of improved operating profitability. Nevertheless, the DSCR remained below unity at 0.51x in FY25, indicating inadequate internal cash generation to comfortably meet debt servicing obligations.

Working capital intensive nature of business

The company's operations are inherently working capital intensive, as it is engaged in the trading of home appliances, which requires maintaining a wide range of inventory across multiple product categories and extending credit to its dealer network. The working capital intensity, albeit improved to ~92% in FY25 from ~111% in FY24, remained high. The company maintained average inventory holding period of 265 days in FY25 to ensure adequate product availability and timely market supply. The average collection period improved to 101 days, reflecting better receivables management, while the average creditor period remained relatively low at 28 days, limiting the extent of supplier credit available to finance operations. As a result, the company reported an operating cycle of 338 days in FY25, which, despite improving from the previous year, remained elongated and reflected a high reliance on bank borrowings to finance its working capital requirements.

Exposure to intense competition and import dependence

SAPL operates in a highly competitive home appliance trading industry, characterized by the presence of several organized and unorganized players, which limits its pricing flexibility and exerts pressure on operating margins. Further, SAPL is heavily dependent on imports for its product portfolio, primarily sourcing from China and India. Hence, its operations remain exposed to risks arising from changes in import regulations, custom duties, logistics disruptions, supply chain constraints, and foreign exchange fluctuations. Although imports are largely denominated in CNY and INR and the company does not currently undertake hedging due to relatively stable exchange rate movements, any adverse changes in these factors could impact procurement costs, product availability, and profitability.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

Smart Appliances Private Limited (SAPL) is an established importer and distributor of home appliances, incorporated on September 20, 2012 and based in Dillibazar, Kathmandu. The company has a diversified product portfolio comprising Skyworth, Livpure, Aura, and Whirlpool products, supported by an extensive dealer network and strategically located godowns across Nepal. SAPL is wholly owned by Mr. Vikas Dugar, who holds 100% of the paid-up capital of NPR 180.00 Mn as of mid-June 2026.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	FY25	11MFY26
	Audited	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	423	414	414	466	534	552
EBITDA Margin (%)	9.49	8.11	3.29	1.44	4.83	6.55
Interest Coverage Ratio (x)	1.27	1.06	0.17	0.14	0.47	1.04
Current Ratio (x)	1.18	1.18	2.00	1.73	1.78	1.46
Total Debt/GCA (years)	52.51	111.34	Neg	Neg	Neg	443.34
Overall Gearing Ratio (x)	3.79	4.42	2.61	3.65	3.24	4.86
TOL/TNW (x)	4.33	4.63	3.51	4.66	3.76	5.64

*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/Permanent Working Capital Loan	Long Term	374.24	IRN B+
Fund Based Bank Facilities- Permanent Working Capital Loan (Proposed)	Long Term	100.00	IRN B+
Fund Based Bank Facilities-Trust Receipt/Short Term Loan/Cash Credit	Short Term	165.00	IRN A4
Non-Fund Based Bank Facilities- Letter of Credit	Short Term	120.00	IRN A4
Total Facilities		759.24	

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About Infomerics Credit Rating Nepal Limited:

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