Infomerics Credit Rating Nepal Limited

PRESS RELEASE

NEPAL AGRO CENTRE PRIVATE LIMITED

November 2026

Ratings

Instrument/Facilities	Amount(NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	73.69	IRN BB+	Assigned
Short Term Bank Facilities	510.00	IRN A4+	Assigned
Total	**583.69**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB+ (Double B Plus) to the long-term bank facilities of NPR 73.69 Mn and IRN A4+ (A Four Plus) to the short-term bank facilities of NPR 510.00 Mn.

Detailed Rationale

The ratings assigned to bank facilities of Nepal Agro Centre Private Limited (NACPL) derive strength from experienced promoter namely Mr. Arvind Kumar Sah having over two decades of experience in agro-chemical trading business. The rating also derive comfort from improving financial profile as evident in healthy growth in its Total Operating Income (TOI) from ~NPR 202 Mn in FY22 to ~NPR 912 Mn in FY26 reflecting a CAGR of ~46% over FY22-26. Also, the ratings consider the healthy and expanding operating margins and cash accruals over FY22–FY26 due to expanding scale and operating leverages. Furthermore, the ratings also factor in NACPL's storehouse proximity to Indo-Nepal border resulting saving in freight cost in imports. The rating also takes note of healthy capital structure as evident in low overall gearing ratio of 1.13x and TOL/TNW of 2.66x in FY26, which improved significantly from 2.22x and 11.92x in FY22 respectively. The ratings also take positive note of diversified product portfolio constituting various agro-chemical products such as fertilizer, insecticides, fungicides. The ratings also take positive note of continued importance of agro-chemical items-a prerequisite for agrarian society like Nepal, which supports for long term demand outlook for its products.

However, the ratings are constrained by the company's limited track record of operation of around six years (since 2020). The ratings are further constrained by the increasing working capital intensity, which stood at ~34% in FY26 compared to ~24% in FY25 and ~16% in FY24, due to an increase in the average collection period to 136 days in FY26 from 116 days in FY25 and 83 days in FY24 owing to worsening credit market in Nepal. The higher working capital cycle has necessitated near complete utilization of short-term loan limits (Average utilization exceeding ~99% of sanction limit of working capital during past 24 months ending July 2026). Going forward, sustained improvement in the scale of operations and profitability, along with an improvement in the leverage profile through prudent working capital management, will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter and management team

NACPL is a family-owned and managed company, jointly held by members of the Sah family. The overall business operations are overseen by the promoters, namely Mr. Arvind Kumar Sah, Mr. Anil Kumar Shah and Mr. Sandeep Kumar Shah, with strategic guidance and support from senior family members, namely Mr. Uma Shankar, Mr. Hari Shankar and Mr. Dharmanath, who play an advisory and supervisory role in the business. Among the key management personnel, Mr. Arvind Kumar Sah primarily oversees finance, sales and collection activities, while Mr. Anil Kumar Shah is responsible for procurement decisions, supplier negotiations and import-related operations.

Improving financial profile

Despite its relatively short operating track record of around five years, NACPL has demonstrated healthy growth in its scale of operations, with Total Operating Income (TOI) increasing consistently year-on-year from NPR 202 Mn in FY22 to NPR 912 Mn in FY26, translating into a robust CAGR of ~46% over FY22–FY26. The growth has been supported by the established business presence of its promoter group, which has been engaged in the agrochemical trading business for over two decades, providing NACPL with an established market network and operational synergies. With the expansion in business scale, the company has also benefited from economies of scale, reflected in a consistent improvement in EBITDA margin from 6% in FY22 to 8% in FY23, 12% in FY24 and ~14% in both FY25 and FY26. The improvement in operating profitability, coupled with a relatively modest debt level, has translated into healthy accruals and profitability. Accordingly, PAT increased significantly to NPR 77 Mn in FY26 from NPR 5 Mn in FY22, while Gross Cash Accruals (GCA) improved to NPR 82 Mn from NPR 7 Mn over the same period, representing CAGRs of ~93% and ~86%, respectively, albeit on a relatively low base. Further, consistent profit accretion to reserves, coupled with limited dividend distribution, has strengthened the company's capitalization, with Tangible Net Worth (TNW) increasing to NPR 185 Mn in FY26 from NPR 20 Mn in FY22. The strengthening of the net worth base provides additional financial flexibility and is a rating positive.

Healthy capitalization profile

NACPL's capital structure remains comfortable, as reflected by an overall gearing ratio of 1.13x as of FY26, improving progressively from 2.22x in FY22. The relatively low reliance on long-term debt, coupled with consistent accretion of profits to reserves, has supported the strengthening of its capital structure. Similarly, the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio has improved significantly to 2.66x in FY26 from 11.92x in FY22, indicating a stronger net worth base relative to its overall liabilities. Further, the company's debt protection indicators remain healthy, supported by modest debt levels and improving operating profitability. The Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 11.58x and 8.36x, respectively, in FY26, compared to 4.20x and 3.33x in FY22, reflecting a substantial improvement in its debt servicing capacity

Key Rating Weaknesses

Limited track record of operation

NACPL has a relatively limited operating track record of around six years, with its ability to withstand and navigate adverse geopolitical developments, environmental disruptions and other external market uncertainties yet to be adequately tested. Further, despite the healthy growth demonstrated in its initial years of operations, the company's operating scale remains relatively modest. However, the existing shareholders have been engaged in the same line of business through their respective proprietorship concerns for several decades. The incorporation of NACPL represents a transition from individual proprietorship structures to a corporate business entity rather than the commencement of an entirely new business. Accordingly, the promoters' longstanding industry experience and business expertise mitigates the rating concern to an extent.

Working capital intensive nature of business

NACPL's working capital intensity has increased significantly to ~34% in FY26 from 24% in FY25 and 16% in FY24, primarily driven by the elongation of its receivable cycle. The average collection period increased to ~136 days in FY26 from 116 days in FY25 and 83 days in FY24, largely reflecting delays in collections from farmers amid tightening credit conditions and deteriorating liquidity in the Nepalese market. On the positive side, inventory holding days have gradually declined to 101 days in FY26 from 119 days in FY25 and 111 days in FY24, indicating improved inventory management alongside the expansion in business scale. Further, the company benefits from a supplier credit period of around four months, which provides partial support in managing its working capital requirements. Nevertheless, the overall operating cycle has elongated to ~114 days in FY26 from ~108 days in FY25 and ~90 days in FY24, primarily due to the lengthening receivable cycle, thereby exerting

pressure on working capital requirements. Consequently, NACPL has increasingly relied on short-term borrowings to fund its working capital requirements, with the rising working capital intensity and elongated collection cycle remaining rating concerns.

Stringent regulatory framework and import dependent business

The agrochemical trading industry is subject to stringent regulatory oversight, particularly concerning the import, registration, storage, labelling and distribution of pesticides and other plant-protection chemicals. Changes in government policies, import licensing requirements, product registration procedures and restrictions on the use of certain chemical compositions may affect product availability, increase compliance costs and disrupt supply chains. Further, the potential prohibition or withdrawal of registration of specific agrochemical products due to environmental and health-related concerns could adversely affect inventory realizability and business operations, particularly for importers and distributors with significant exposure to such products

Analytical Approach: Standalone

Applicable Criteria:

Corporate Credit Rating Methodology

About the Company:

Incorporated in November 2020, Nepal Agro Centre Private Limited (NACPL) is a private limited company, specialized in the import and trading of Agro-chemical products such as fertilizer, pesticide, fungicide and herbicide etc. Operating Primarily in Nepal, NACPL import goods from India and China. The shareholding is distributed equally among Mr. Arbind Kumar Sah, Mr. Anil Kumar Sah and Sandip Kumar Sah each holding ~33.33% of shares respectively.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	202	510	724	747	912
EBITDA Margin (%)	6.13	8.02	11.99	13.99	14.15
Interest Coverage Ratio (x)	4.20	3.48	10.44	10.66	11.58
Current Ratio (x)	1.04	1.09	1.07	1.19	1.35
Overall Gearing Ratio (x)	2.22	2.88	2.28	1.52	1.13
DSCR (x)	3.33	2.74	7.53	7.68	8.36
Working Capital Intensity (%)	18	24	16	24	34

Earnings before Interest Tax Depreciation Amortization (EBITDA)
Debt Service Coverage Ratio (DSCR)
**Classification as per Infomerics Nepal standards*

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities - Term Loan	Long-Term	73.69	IRN BB+
Short Term Bank Facilities - Working Capital Loan	Short Term	10.00	IRN A4+
Short Term Bank Facilities - Letter of Credit	Short Term	500.00	IRN A4+
Total Facilities		**583.69**	

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About Infomerics Credit Rating Nepal Limited:
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