

Yashoda Foods Private Limited

Ratings

Facilities/Instrument	Amount (Rs. in Million)	Ratings ¹	Rating Action
Long Term Bank Facilities	508.02 (Increased from 299.70)	CARE-NP BBB+ [Triple B Plus]	Reaffirmed
Short Term Bank Facilities	1,700.30	CARE-NP A2 [A Two]	Reaffirmed
Total Facilities	2,208.32 (Increased from 2,000.00)		

* Details of Facilities in Annexure 1

CARE Ratings Nepal Limited (CRNL) has reaffirmed the rating of 'CARE-NP BBB+' assigned to the long-term bank facilities and the rating of 'CARE-NP A2' assigned to the short-term bank facilities of Yashoda Foods Private Limited (YFPL).

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of YFPL factors in increased scale of operations supported by product diversification, and capacity expansion following the merger with its wholly owned subsidiary, although accompanied by a dip in profitability due to initial stabilization costs. Despite the increase in debt levels due to the merger, the company maintains low gearing profile. The ratings also take note of the company's generous dividend payout history, making its capital structure susceptible to larger-than-expected payouts in the future. The ratings continue to derive strength from experienced and resourceful promoters of the company, moderate operating cycle leading to relatively lesser dependence on bank borrowings and established distribution network and popular brand with steady demand outlook for YFPL's products in Nepal over the medium term. The ratings also take cognizance of increasing export sales of the company which has aid increase market presence in the international market as well. The ratings, however, are constrained by exposure to the volatility in the raw material prices, competition from existing players in the Nepalese market and exposure to regulatory risk.

Going forward, the ability of the company to sustain growth in the operations while improving the profit margins and rationalization of its debt through efficient working capital management would be the key rating sensitivities. Substantial outflow of dividend leading to material deviation in capital structure than expected shall also remain a monitorable aspect.

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced and resourceful promoters of the company

YFPL is managed under the overall guidance of the company's board of directors (BOD) who possess wide industry experience. Mr. Chunna Prasad Sharma, Chairman, has around four decades of cross-sector experience and holds positions as Chairman and Director in various other businesses. He is also the Chairman of Sona Packaging Industries Private Limited [CARE-NP BBB-/A3]. Currently serving as Global Executive Director, Mr. GP Shah oversees international strategy and growth, leveraging decades of leadership experience in the FMCG sector. The BOD is aptly supported by an experienced team across various functions and departments.

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com and in other CRNL publications.

Growing scale of operations with transitional margin impact linked to initial stabilization

YFPL generates its revenue from sales of noodles, fried snacks and bhujija. During FY25, the company's Total Operating Income (TOI) grew by ~31% year-on-year to Rs. 7,689 Mn, driven by higher sales volumes in both noodles and snacks segments following capacity expansions. The company's product diversification strategy has started yielding results, with snacks contributing a growing share to overall revenue. However, PBILDT margin moderated to 7.43% in FY25 from 11.43% in FY24 due to initial stabilization costs of the merged unit. While noodles continue to be the dominant revenue driver, the increasing contribution from other products, especially snacks, demonstrates strategic shift toward more diversified portfolio. This trend reduces product concentration risk and enhances the company's long-term growth potential by ensuring multiple revenue streams.

Low gearing profile with adequate debt service coverage indicators

The gearing profile of the company remains low, with adequate debt service coverage indicators. Overall gearing ratio of the company marginally improved to 0.46x as on mid-July 2025 from 0.49x as on mid-July 2024 supported by equity injection of Rs. 150 Mn despite dividend payout of Rs. 300 Mn during FY25. Interest coverage stood at 8.39x in FY25, though lower than 18.00x in FY24, primarily on account of higher interest expenses and reduced operating margins. Total Debt/GCA increased to 1.50x in FY25 from 1.22x in FY24, amid higher leverage following expansion. Despite this, liquidity remains adequate with a current ratio of 1.56x at the end of FY25, and the company's ability to meet obligations is supported by healthy cash accruals of Rs. 443 Mn. Any substantial investments, debt-funded capex, or dividend payouts leading to material deterioration of YFPL's financial risk profile will remain a key rating sensitivity.

Established distribution network and brand presence

YFPL has an increasing presence across nation reaching all provinces of Nepal and covering most major towns and cities. The company has around 300 authorized distributors spread across the country. The company also directly sell to department stores and supermarkets. Furthermore, the company sells its products under different brand names among which "Current" brand has become a widely popular brand in the Nepalese market in a relatively short span of time. The brand's unique positioning in the 'spicy noodles' segment has helped it gain popularity, particularly among the youth. Furthermore, the company also started to export its products to India and other countries which accounted for ~12% of total revenue in FY25 thus aiding increase its market presence in international market as well.

Moderate operating cycle

The operations of the company are working capital intensive in nature. YFPL is involved in manufacturing noodles and snacks by procuring raw material both locally and importing from India, Malaysia and Indonesia. YFPL has to keep the inventory for smooth operations and extend credit to their customers, which lead to reliance on working capital limits. The company has moderate operating cycle of 30 days for FY25 which decreased from 37 days for FY24. Company generally allows 1 to 2 months' credit period to its customers, debtors turnover days was 24 days during FY25 which improved from 27 days during FY24. The company keeps inventory for around 1-1.5 months and the inventory holding days was 41 days for FY25 (FY24: 41 days). A relatively efficient working capital management by the company has resulted in moderate utilization of its working capital limits.

Stable demand outlook of Noodles business over the medium term

The demand for instant noodles has been growing for over three decades, making it a popular snack, especially among Nepalese youth. Positioned between a snack and a meal, instant noodles offer convenience and versatility. According to World Instant Noodles Association (WINA), Nepal stands out as one of the highest per capita consumers in noodle

consumption, highlighting strong market potential. YFPL's diverse product range with various flavors and packaging options has successfully attracted consumers in both domestic and international markets. This growing demand presents significant opportunities for YFPL's expansion and sustained business growth. However, increasing demand for healthy products is expected to moderate this growth in the industry.

Key Rating Weaknesses

Raw material price volatility risk

Wheat flour, palm oil, palmolein are the major raw materials for YFPL. Wheat flour being its major raw materials makes it dependent on agro products which are seasonal in nature with production and prices dependent on various factors like area under production, yield for the year, demand supply scenario and inventory carry forward of last year. Further, palm oil and palmolein are also major raw materials which are imported from Malaysia and Indonesia. The prices of the YFPL's raw materials are market linked and determined on a periodic basis, thus exposing the company to the volatility in the prices of raw materials which has a bearing on its profitability margins. The raw material cost contributed around 82% of the total operating income of the company during FY25. Hence, the company's overall profitability remains highly exposed to the volatility in input prices.

Exposure to regulatory risk and susceptibility to changing customer's tastes and preferences

YFPL operates in a highly regulated industry where protective import duties on finished products like noodles and snacks provide a competitive edge against cheaper imports. However, any adverse changes in these regulations could significantly impact business prospects. The company's reliance on imported raw materials such as palmolein oil and wheat exposes it to global commodity price volatility and supply chain disruptions. While favorable policies offer relief, evolving laws and shifting consumer preferences remain key challenges. Continuous monitoring and strategic adaptation to regulatory and market trends are critical for sustaining growth and profitability.

Competitive and fragmented nature of industry

The Noodles industry in Nepal is highly fragmented with presence of several organized/ unorganized players owing to low entry barrier. Increasing demand for noodles have led to increased numbers of new players entering the market as well as large established player increasing their offerings to capture more market share, resulting in an intensely competitive market comprising of some large and several smaller players. Many new players have entered in the market in recent years with YFPL being one of them. As observed over the years, threat from a new player with a more appealing product remains high in the noodles market. Furthermore, considering the fragmented and competitive nature of industry, the noodles manufacturer has low pricing power. However, the company recently introduced Nepal's first "Green Noodles" production facility in December 2025, supported by an 865 kWp rooftop solar plant that meets about 80% of its energy requirements, indicating a move toward sustainable manufacturing practices and adding a competitive dimension in terms of environmental responsibility.

Applicable Criteria

[Rating Methodology - Manufacturing Companies](#)

About the Company

Yashoda Foods Private Limited (YFPL) is a private limited company incorporated on May 07, 2017 for the production of instant noodles and snacks. The company has its manufacturing facility in Tilottama-15, Rupandehi, Nepal. YFPL merged with its wholly owned subsidiary, Yashoda Noodles and Snacks Private Limited, on July 15, 2024. Following the merger,

the installed capacity of the noodles segment increased from 30,000 MTPA to 42,000 MTPA, while the snacks segment expanded from 900 MTPA to 4,500 MTPA.

Financial Performance

(Rs. In Million)

Particulars	FY23 (A)	FY24 (A)	FY25 (UA)
Income from Operations	4,955	5,869	7,689
PBILDT Margin (%)	10.67	11.43	7.43
Overall Gearing (times)	0.12	0.49	0.46
Interest coverage (times)	9.95	18.00	8.39
Current Ratio(times)	1.86	1.67	1.56
Total Debt/Gross Cash Accruals (times)	0.34	1.22	1.50

A: Audited, UA: Unaudited

Annexure 1: Details of the Facilities Rated

Nature of the Facility	Type of the Facility	Amount (Rs. in Million)	Rating
Long Term Bank Facilities	Term Loan	508.02	CARE-NP BBB+
Short Term Bank Facilities	Fund Based/Non-Fund Based	1,700.30	CARE-NP A2
Total		2,208.32	

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