

Dear Valued Shareholders,

It is with great pride and gratitude that we present to you the Annual Report of Himalayan Distillery Limited (HDL) for the fiscal year 2024-25 a transformative chapter in our storied journey one defined by extraordinary resilience, bold strategic execution, and a renewed commitment to pioneering innovation in Nepal's alcohol industry. This year marked a significant turnaround for the company a period of strategic recovery, renewed focus, and significant growth. The year reflected a strong rebound and renewed business momentum, demonstrating our team's resilience, operational discipline, and commitment to value creation.

While Nepal's economy continues to face multiple headwinds from sluggish domestic consumption and slow economic growth to the outward migration of youth and recent sociopolitical movements reshaping consumer sentiment – HDL has remained unwavering in its pursuit of sustainable growth, product innovation, and long-term value creation. HDL not only weathered the storm but emerged stronger, delivering significant financial results and laying the groundwork for sustainable, long-term value creation.

STRONG PERFORMANCE – BUILDING ON RESILIENCE AND EXECUTION

The fiscal year 2024-25 stands as a testament to HDL's operational excellence and strategic agility. The fiscal year under review was exceptionally strong for HDL, reflecting our ability to rebound from past challenges and capitalize on market opportunities.

Sales Revenue: NPR 3.71 billion, representing a 78% growth compared to NPR 2.08 billion in FY 2023-24. This surge was fueled by robust demand for our core brands, expanded market penetration, and the initial revenue streams from our new strategic assets.

Net Profit: NPR 941 million, an extraordinary 158% increase from NPR 365 million last year. This leap underscores our disciplined cost management, zero-leverage financial model, and a healthy cash position exceeding NPR 2 billion as of 16th July 2025, providing ample liquidity for future investments.

This strong performance underscores the strength of our brands, the dedication of our teams, and the success of our strategic initiatives aimed at brand-focused growth and operational excellence. Our flagship Oak Series comprising Golden Oak, Black Oak, and Silver Oak collectively recorded 5% growth in sales volume and retained a commanding 66% market share in the 40UP whisky segment. While Golden Oak maintained its position as Nepal's most trusted 40UP brand, Black Oak grew 36% in volume, gaining strong traction among emerging urban consumers. Silver Oak also recorded 24% growth in the 40UP Vodka category, marking consistent progress in an increasingly competitive space.

These achievements reflect the robustness of our distribution network, targeted marketing initiatives, and the trust that our consumers continue to place in the HDL brand portfolio.

Strategic Product Diversification and Innovation During the year, HDL made significant progress in expanding and diversifying its product portfolio to align with evolving consumer preferences and new growth segments:

1. SPIRIT MATURATION CENTER

The construction of our Spirit Maturation Center in the Khumbu Region continues to progress as part of HDL's vision to enter the premium aged spirits category. Leveraging Nepal's unique Himalayan climate, this project will produce high-quality matured malt spirits a pioneering move that positions HDL as a potential global name in authentic Himalayan-aged whisky.

2. STRATEGIC COLLABORATIONS

HDL is actively exploring strategic collaborations with multinational companies to introduce globally recognized brands into the Nepali market and vice versa. These strategic avenues align with our long-term ambition to evolve from a domestic leader to a regional powerhouse in the alcobev industry.

NAVIGATING CHALLENGES IN COMPLEX ENVIRONMENT

The macroeconomic and socio-political environment in Nepal during FY 2024-25 remained challenging. The country faced the aftereffects of prolonged inflation, liquidity tightening, sluggish consumer spending and political instability marked by recent youth driven protests that disrupted both the political and business sentiments.

Furthermore, continued migration of the working-age population abroad, low disposable income, and consumer shift toward cheaper liquor and strong beer segments impacted the overall alcobev demand landscape. New entrants, aggressive discounting strategies, and trade tieups further intensified competition in the 40UP whisky segment.

“From recovery to resurgence — HDL has regained its growth trajectory with renewed strategic clarity and operational strength.”

Amid these pressures, HDL maintained its growth trajectory through strategic focus, brand strength, and prudent financial management. HDL has proactively fortified its risk management framework to address these challenges. Through disciplined credit control, robust compliance systems, and strong fund management, the Company has continued to operate with zero leverage, maintaining a healthy cash position. Our zero-debt structure and strong operational cash flows provided flexibility to navigate macroeconomic challenges while investing in innovation, capacity enhancement, and people development.

AGILITY AMIDST POLITICAL UNREST AND RECENT EVENTS

While the fiscal year 2024-25 marked a strong recovery phase for HDL, the onset of FY 2025-26 presented unexpected socio-political challenges. The recent Gen-Z protest in September 2025, which led to nationwide curfews and temporary business closures, tested the resilience and agility of businesses across Nepal, including ours.

Amidst these circumstances, HDL demonstrated remarkable agility by swiftly implementing safety measures, to ensure employee security, and maintaining stable factory production without disruptions. Despite logistical hurdles and restricted market movement, supply chain continuity was maintained through effective coordination with vendors and distributors. Strategic foresight allowed HDL to avoid excess stock accumulation and ensure business continuity.

Furthermore, HDL’s crisis response highlighted the strength of its operational systems, financial prudence, and digital readiness. Disaster Recovery Plan, robust system access procedures, and enhanced cybersecurity measures ensured uninterrupted financial and operational continuity. Factory operations maintained steady output, ensuring stability in workforce utilization and prevention of supply chain bottlenecks.

STRENGTHENING RISK MANAGEMENT AND OPERATIONAL EFFICIENCY

HDL has adopted a comprehensive risk management framework that proactively identifies, assesses, and mitigates risks related to market volatility, regulatory changes, and operational continuity.

Key initiatives include:

- * Enhancing business agility through data driven decision making and cost control.

- * Strengthening internal compliance and governance mechanisms.
- * Investment in plant automation and energy efficient technologies to mitigate production risks and improve sustainability.
- * Establishing crisis response protocols to address potential disruptions in logistics, supply chain, or policy environments.

These actions ensure HDL remains robust and well-prepared, even amid macroeconomic uncertainty and dynamic regulatory landscapes.

COMMITMENT TO SUSTAINABILITY AND SOCIAL RESPONSIBILITY

At HDL, we firmly believe that business success must go hand in hand with social responsibility and environmental stewardship. Our CSR and sustainability framework focuses on three core pillars:

1. COMMUNITY DEVELOPMENT:

HDL's success is deeply rooted in its responsibility toward society and the environment. Our CSR and sustainability programs focus on supporting local employment, education, and healthcare initiatives in communities, particularly in the regions where we operate.

2. ENVIRONMENTAL STEWARDSHIP:

Investing in plant automation project, Zero Liquid Discharge (ZLD) project, energy optimization, plantation, waste management programs and exploration of renewable energy solutions to position the company as a sustainability driven leader in the industry. It highlights our commitment to reducing carbon footprint and aligning with Nepal's green development goals.

3. EMPLOYEE EMPOWERMENT:

At the heart of our success are our people the dedicated employees across our factory, offices, and field teams whose commitment continues to drive HDL's business. Continuous training, career development, employee engagement and employee recognition programs are in place to ensure our team remains motivated and aligned with organizational goals.

These initiatives reflect HDL's commitment to being a responsible corporate citizen and contributing positively to society beyond commercial objectives.

Creating Sustainable Value for Shareholders Our philosophy remains rooted in long-term value creation for all stakeholders. HDL's growth strategy is designed to balance profitability with reinvestment into innovation, capacity enhancement, and diversification

“From the Himalayas to the World — HDL is rising stronger, prouder, and more purposeful than ever.”

At HDL, we view every strategic initiative through the lens of shareholder value creation. While 2024-25 was a recovery year, it lays the foundation for a return to stable profitability and growth momentum. Each initiative is carefully assessed to ensure it strengthens our brand equity, market share, and shareholder returns.

Our focus now is on:

- * Strengthening brand-led growth in whisky and vodka flavored spirits, and new categories that we are planning for the current year.
- * Pursuing collaborations with reputed multinational companies to bring global expertise into the

Nepali alcobev landscape and capture synergies across the value chain.

- * Sustaining long-term profitability through efficiency, product innovation, and market leadership.

As HDL grows, so too does our responsibility to deliver consistent, sustainable, and inclusive outcomes ensuring that every decision we make today contributes to the prosperity of our shareholders, employees, consumers, and the nation as a whole.

The Road Ahead - From Growth to Leadership Looking forward, FY 2025-26 will be a year of consolidation and transformation. Our focus will be on:

- * Scaling up “Shlok” and preparing for the launch of new products in new categories.
- * Accelerating the Everest Spirit Maturation Project and introducing aged malt spirit products.
- * Investing in automation, renewable energy, and plant optimization for operational sustainability.
- * Deepening market reach and reinforcing HDL’s leadership in the whisky and vodka segments.
- * Exploring selective export opportunities to extend HDL’s footprint beyond Nepal.
- * Pursuing strategic alliances to accelerate growth and portfolio diversification.
- * Deepening our commitment to sustainability, digitalization, and operational excellence.
- * Robust Enterprise Resources Planning along with Distributor Management Software and Sales Force Automation.

The past year has been an inspiring journey of resurgence, resilience, and renewed ambition. We have not only achieved strong financial results but also set the stage for an exciting era of expansion and innovation.

Our shareholders’ trust and confidence continue to guide us forward. Together, we are committed to building a stronger, more sustainable company one that continues to embody excellence, integrity, and pride in Nepali craftsmanship.

Thank you for your continued support.

NIRAJ SUBEDI
Chief Executive Officer