

## PRESS RELEASE

### **HILLTAKE PLASTIC AND PIPE INDUSTRIES PRIVATE LIMITED**

May 2025

#### Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	630.00	IRN BB	Assigned
Short Term Bank Facilities	170.00	IRN A4	Assigned
<b>Total</b>	<b>800.00</b>		

*Details of facilities are in Annexure 1 below*

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB (Double B) to the long-term bank facilities of NPR 630.00 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 170.00 Mn.

#### Detailed Rationale

The ratings assigned to the bank facilities of Hilltake Plastic and Pipe Industries Private Limited (HIL) derive strength from its experienced promoters and a strong operational foundation built over more than a decade of operations. The ratings also factor in the strong debt coverage indicators exhibited by Interest Coverage Ratio and DSCR of  $\sim 4.36x$  and  $\sim 3.78x$  respectively in FY24. The ratings also take a positive note of rising demand for pipes contributed by several governmental projects, further providing much needed boost to HIL.

These rating strengths are however constrained by its decreasing total operating income, working capital intensive nature of business and high reliance on import ( $\sim 93\%$  of total raw materials were imported in FY24) with raw material price volatility risk. Going forward, the ability of the company to enhance its scale of operations while maintaining its profitability along with increment in order size will remain key rating sensitivities.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

#### Experienced promoters with long track record of operations

HIL, established in 2009, is managed by its promoters, who also serve as the Board of Directors, consisting of experienced businessmen and industrialists. Mr. Jitendra Baid, the managing director, who possess over two decades of experience in the relevant sector, is involved in manufacturing electronics, plumbing items, garments, and overseeing various goods trading. Mr. Kamal Jain and Mr. Sayar Jain, both with over two decades of experience, have brought valuable expertise contributing significantly to HIL's growth and its establishment as a well-known household brand in Nepal.

#### Strong debt coverage indicators

HIL's capital structure strengthened, with an increase in paid-up capital to NPR 75 Mn in FY24 from NPR 19 Mn in FY23. The paid up capital further increased to NPR 79.61 Mn as of mid-April 2025. The company's tangible net worth also improved to NPR 188 Mn in FY24 from NPR 104 Mn in FY23, reflecting equity expansion. HIL's tangible networth stood at NPR 213 Mn as of mid-April 2025. The long-term debt-equity ratio improved to 1.27x in FY24 from 1.96x in FY23, indicating reduced leverage. However, total debt increased to NPR 309 Mn from NPR 275 Mn, mainly due to additional borrowings in order to procure machinery necessary for expansion of project. The interest coverage ratio remained stable at 4.36x in FY24 compared to 4.69x in FY23, suggesting a sufficient ability to service interest payments. Meanwhile, DSCR stood at 3.78x in FY24, slightly lower than 3.98x in FY23, indicating a moderate debt servicing position. Despite the revenue decline, the company's

solvency position improved, with the overall gearing ratio reducing to 1.64x in FY24 from 2.65x in FY23.

## **Rising demand for PVC, HDPE and PPR pipes in Nepal**

The demand for PVC pipes, HDPE pipes, and PPR pipes has been steadily increasing in Nepal, driven by the country's expanding infrastructure and construction sectors. These pipes are widely used in water supply, drainage systems, irrigation, and plumbing, with PVC pipes, in particular, gaining popularity due to their superior performance in high-pressure systems. As the only producer of PVC pipes in Nepal, HIL holds a unique position to capitalize on this growing demand.

Several government projects have contributed to the rising demand for these pipes, including the national drinking water supply and sanitation projects, such as the Melamchi Water Supply Project and the Kathmandu Valley Water Supply Improvement Project. Additionally, the government's focus on expanding irrigation networks and improving urban infrastructure has further driven the need for HDPE and PPR pipes. With the continuous growth in construction and public works, HIL is well-positioned to benefit from these ongoing and upcoming projects, solidifying its market presence.

## **Key Rating Weaknesses**

### **Moderate financial performance indicated by decrease in Total Operating Income**

HIL generates revenue from the sales of HDPE pipes, DWV pipes, and PPR pipes. In FY24, total operating income declined by approximately 21% to NPR 350 Mn from NPR 444 Mn in FY23, primarily due to market competition, economic slowdowns, and fewer government tenders. While the revenue drop was driven by pricing pressures rather than reduced operational scale, production volume fell from 1,037.87 tons in FY23 to 654.30 tons in FY24, lowering capacity utilization from 79.84% to 50.33%. Despite maintaining an EBITDA margin of 26.77% in FY24 (vs. 27.66% in FY23), profitability was affected by raw material costs and market dynamics, with PAT declining 36% to NPR 28 Mn. While Gross Cash Accruals remained healthy at NPR 60 Mn, improvement in its scale of operations will remain key monitorable.

### **Working capital intensive nature of business; however, covered through unsecured debt**

HIL's working capital efficiency deteriorated, as seen in the operating cycle increasing to 288 days in FY24 from 132 days in FY23. This was primarily due to a longer average inventory period of 211 days in FY24 compared to 95 days in FY23 and an increase in the average collection period to 131 days from 86 days in FY23. These changes indicate slower inventory turnover and delayed collection of receivables, putting pressure on liquidity and cash flow management. To meet its working capital requirements, the company has relied on unsecured debt, further impacting on its financial flexibility.

### **High reliance on import and raw material price volatility risk**

The major raw materials for HIL being PPR resin, HDPE resin, PVC resin and Masterbatch are imported from various countries accounting for ~93% of total raw materials procured in FY23 and FY24 for which prices are market linked and set on a periodic basis. The raw material cost contributes ~65% of TOI of the company and hence any fluctuation in the price is expected to impact the profitability of the company. HIL is partially constrained by regulatory risk arising from various laws and policies from both Nepal and India. Hence, any unfavourable regulatory changes could moderate the firm's financial profile going forward.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Corporate Credit Rating Methodology](#)

### **About the Company:**

Hilltake Plastic and Pipe Industries Private Limited (HIL) located in Balaju, Kathmandu, was incorporated in June 18, 2009. It is a leading manufacturer of plastic-based water storage solutions and plumbing products in Nepal. It operates under ISO 9001:2008 certification, reflecting adherence

to international quality management standards. With a well-established distribution network covering all 77 districts of Nepal, Hilltake maintains a strong brand presence.

## Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	9MFY25
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	332	444	350	253
EBITDA Margin (%)	21.10	27.66	26.77	27.92
Interest Coverage Ratio (x)	4.22	4.69	4.36	3.50
Current Ratio (x)	1.26	1.82	2.78	1.65
Overall Gearing Ratio (x)	4.09	2.64	1.64	2.56

\*Classification as per Infomerics Nepal standards

EBITDA: Earning before Interest, Tax, Depreciation and Amortisation

## Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	630.00	IRN BB
Fund Based Bank Facilities- Short Term Loan	Short Term	165.00*	IRN A4
Non-Fund Based Bank Facilities- Short Term	Short Term	75.00*	IRN A4
<b>Total Facilities</b>		<b>800.00</b>	

\*Total short term loan shall not exceed NPR 170 Mn

## Analyst Contacts

### Mr. Girish Bhatta

Tel No.+977-1-4583304/4585906

[girish.bhatta@infomericsnepal.com](mailto:girish.bhatta@infomericsnepal.com)

### Ms. Samigya Acharya

Tel No.+977-1-4583304/4585906

[samigya.acharya@infomericsnepal.com](mailto:samigya.acharya@infomericsnepal.com)

## Relationship Contact

### Mr. Rabin Pudasaini

Tel No.+977-1-4583304/4585906

[rabin.pudasaini@infomericsnepal.com](mailto:rabin.pudasaini@infomericsnepal.com)

## About Infomerics Credit Rating Nepal Limited:

Infomerics Credit Rating Nepal Ltd. is Nepal's third Credit Rating Agency licensed by the Securities Board of Nepal (SEBON) on March, 2022. Infomerics Nepal is a subsidiary of Infomerics Valuation and Rating Private Limited (Infomerics India) which is a SEBI registered and RBI accredited Credit Rating Agency licensed in 2015. Infomerics Nepal aims to provide investors with objective analysis and evaluation of credit worthiness of Banks, NBFCs, Large Corporates and Small and Medium Scale Units (SMUS) via its rating and grading services. Thus, it is playing a key role in serving the financial markets by reducing the information asymmetry among varied lenders and investors and facilitating borrowers/issuers to various fundraising opportunities/avenues. Infomerics observes and maintains ethical standards in its activities. For more information, visit <https://infomericsnepal.com/>

## Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: [info@infomericsnepal.com](mailto:info@infomericsnepal.com)

Web: [www.infomericsnepal.com](http://www.infomericsnepal.com)



# Infomerics Credit Rating Nepal Limited

**Disclaimer:** Ratings assigned by Infomerics Nepal are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics Nepal reserves the right to change, suspend or withdraw the credit ratings at any point in time. Ratings assigned by Infomerics Nepal are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics Nepal is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.