

PRESS RELEASE

HIGHTENSION SWITCHGEARS PRIVATE LIMITED

July 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Short Term Bank Facilities	140.00	IRN A4	Reaffirmed
Long Term/Short Term Bank Facilities	1,860.00	IRN BB/A4	Reaffirmed
Total	2,000.00		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN A4 (A Four) assigned to the short-term bank facilities of NPR 140.00 Mn and the rating of IRN BB/A4 (Double B/A Four) assigned to the long-term/short-term bank facilities of NPR 1,860.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Hightension Switchgears Private Limited (HTSG) factors in company's sustained improvement in Total Operating Income (TOI) during FY24 (~72% Y-on-Y growth against FY23). In addition to the increase in TOI, the EBITDA margin (8.92% in FY24 vis-à-vis 9.11% in FY23) and PAT margin (~5.44% in FY24 vis-à-vis ~5.41% in FY23) have remained stable enabling the company to earn significantly better Gross Cash Accruals (~NPR 116 Mn in FY24 vis-à-vis ~NPR 67 Mn in FY23) which has helped the company register a marked improvement in its financial and capitalization profile. Owing to improvement in financial profile, HTSG's capitalization profile and coverage metrics have improved significantly indicated by improved gearing ratios (3.22x in FY24 vis-à-vis 1.06x in FY23) and healthy interest coverage ratio (5.56x in FY24 vis-à-vis 5.37x in FY23). The ratings continue to derive strength from improved working capital intensity owing to reduced inventory holding days and collection period. The ratings also continue to factor in company's experienced promoters and management team with proven track record in the industry.

The rating strengths are constrained by the company's modest order book position as of mid-July 2025, which is below the TOI of FY24, significantly impairing its revenue visibility. This is evidenced by a sharp ~75% annualized year-over-year decline in total operating income (TOI), with the company recording ~NPR 480 Mn in 11MFY25 compared to ~NPR 2,129 Mn in FY24. The order book is expected to remain weak in the near term, primarily due to the relatively limited contracting activity from its key client, the Nepal Electricity Authority (NEA). The ratings also factor in the company's exposure to sectoral concentration and project execution risks, sensitivity to interest rate movements, potential liabilities during the defect liability period, and its presence in a highly competitive and regulated industry. Going forward, the ability of the company to secure new orders, timely execute projects in hand, and realize the proceeds in timely manner leading to improvement in its overall financial risk profile will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team with proven track record

HTSG is led by Mr. Dwarika Shrestha, Chairman who has more than 3 decades of experience in managing the company. He is responsible for leading the Board of directors, strategic decisions and coordinating with NEA and other institutions. Mr. Rajendra Kumar Agrawal, Managing Director has extensive experience in the in the field of contracting business and he is responsible for liaising with NEA and other institutions along with overseeing the business. Mr. Naresh Kumar Agrawal, Director and Mr. Anil Agrawal, Director are involved in the overall execution of the projects. The Board of

directors are further supported by an experienced team across various functions/ departments. Mr. Ritesh Tamrakar is the team leader and Senior Electrical Engineer at HTSG, he holds a Bachelor's Degree in Engineering and has more than 2 decades of experience in installation and commencement of Low Voltage, Medium Voltage and High-Tension electrical equipment.

Improvement in Total Operating Income in FY24, albeit moderation during 11MFY25

The company demonstrated robust operating performance with Total Operating Income (TOI) increasing significantly from NPR 1,227 Mn in FY23 to NPR 2,130 Mn in FY24, reflecting a strong year-on-year growth of approximately 73.60%. This substantial increase was driven by the execution of a large portion of its work-in-hand during FY24. Alongside the revenue growth, the company maintained relatively stable profitability metrics, with the EBITDA margin marginally moderating from 9.11% in FY23 to 8.92% in FY24, primarily due to scale expansion and associated operating costs. The PAT margin also remained steady at 5.44% in FY24 compared to 5.41% in the prior year. Correspondingly, Gross Cash Accruals (GCA) improved significantly to approximately NPR 117 Mn in FY24 from NPR 67 Mn in FY23, marking a growth of about 74.6%. This strong financial performance underscores the company's ability to convert increased scale into enhanced profitability and cash generation. HTSG has earned TOI of ~NPR 480 Mn in 11MFY25.

Healthy capital structure and adequate debt service coverage indicators

The company's capital structure demonstrated marked improvement in FY24. The overall gearing ratio significantly improved from 3.22x in FY23 to 1.06x in FY24, reflecting a deliberate strategy to reduce leverage and strengthen the balance sheet. Concurrently, the Total Debt to GCA ratio showed a substantial improvement, declining from 6.62 years to 1.72 years, indicative of enhanced internal cash generation and a stronger debt servicing capacity. Coverage metrics also reflected positive trends, with the Interest Coverage Ratio increasing to 5.56x in FY24 from 5.37x in FY23, and the Debt Service Coverage Ratio (DSCR) improving to a healthy 4.41x from 4.21x over the same period. Additionally, the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio improved significantly to 2.87x in FY24 compared to 5.26x in FY23, primarily driven by the repayment of letter of credit payables utilizing proceeds from the maturity of existing fixed deposits.

Moderate Counterparty Risk

HTSG is exposed to moderate counter party payment risk pertaining to its key employer, Nepal Electricity Authority (NEA). NEA had consecutive losses up to FY16 resulting negative reserves up to FY19. However, with profit earned from FY17, NEA had accumulated profit in its book from FY20. Also, the counter party payment risk is moderated by the fact that, NEA is fully owned by government of Nepal, and generating positive gross cash accruals. Further, NEA has been making timely payment to vendors and independent power producers (IPPs) in past.

Key Rating Weaknesses

Modest Order book position with near -term revenue visibility

The total value of HTSG's ongoing contract is ~NPR 888 Mn most of which has been awarded by NEA. The order book of the company reflects near-term revenue visibility with outstanding order book valuing less than the TOI of FY24. Likewise, most of the projects are expected to be completed within next 1 year. The ability of the company to increase its order book position and complete the projects will remain crucial for the improvement of its financial performance.

Concentrated scope of work and Project execution risk

HTSG specializes in supply, delivery, installation, testing and commissioning of electrical equipment such as substation equipment, switchgears, control panels, transmission and other power installations. The nature of HTSG's operations limits the probable clientele for its services. In the present scenario, HTSG generated most of its revenue from NEA. Thus, due to the scope of work and nature of business HTSG's revenue stream is highly concentrated and dependent on tender and other

works assigned by NEA. Furthermore, considering the nature of work the terrain of the project sites may be unfavorable which could potentially cause delays and may trigger penalty clauses included in contracts with NEA. However, HTSG's long track record of successfully completing projects across different parts of Nepal as a firm specialized in electrical engineering provides comfort.

Intense Competition and Lack of Escalation clause in majority of the contracts

The construction industry is highly competitive due to dispersed and unorganized nature of the construction industry and typically companies lowball to win government and private contracts. HTSG is required to bid for public projects which creates uncertainty regarding future revenue inflows. HTSG procures the electrical equipment through various local and international vendors. Typically, the company is responsible for the procurement, delivery, installation, testing and commissioning of a project. The prices of electrical equipment are subject to volatility especially due to change in demand and supply conditions, variation in prices of components and raw materials of the electrical equipment. HTSG's standard contracts with NEA does not include escalation clauses and thus the company is obliged to complete the contract within their initial bid. In the event of a material change in the cost of the items sold, the absence of escalation clauses could substantially affect HTSG's profitability and project execution capabilities.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Link to past rating rationale:

[Hightension Switchgears Private Limited: Bank Facilities Rating Revised](#)

About the Company:

Hightension Switchgears Private Limited (HTSG) was incorporated on August 18, 1988 with its registered office in A. T. Complex, Kathmandu, Nepal. Due to its long track record the company has been successful in establishing itself as a contractor specializing in electric and civil works of substations and transmission lines. The company is promoted by four individual shareholders. As of mid-July 2024, the shareholding structure reflects ~35% ownership by Mr. Rajendra Kumar Agrawal.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24
	Audited	Audited**	Audited**	Audited
Total Operating Income (NPR Mn)	537.80	506.80	1,226.52	2,129.70
EBITDA Margin (%)	9.04	11.74	9.11	8.92
Interest Coverage Ratio (x)	6.82	3.04	5.37	5.56
Current Ratio (x)	1.78	1.28	1.12	1.34
Total Debt/GCA (years)	6.78	6.55	6.62	1.72
DSCR (x)	5.37	2.53	4.21	4.41
Overall Gearing Ratio (x)	1.30	1.86	3.22	1.06

*Classification as per Infomerics Nepal standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Debt Service Coverage Ratio (DSCR)

** HTSG had carried out first time adoption of Nepal Financial Reporting Standard (NFRS) from FY24 onwards resulting which the financial metrics for FY22 and FY23 has changed according to "NFRS 1- First Time Adoption of NFRS"

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Short Term Bank Facilities- Fund Based Loans	Short Term	40.00	IRN A4
Short Term Bank Facilities- Fund Based Loans (Proposed)	Short Term	100.00	IRN A4
Long Term/Short Term Bank Facilities- Non-Fund Based Loans	Long Term/ Short Term	1,580.00	IRN BB/A4
Long Term/Short Term Bank Facilities- Non-Fund Based Loans (Proposed)	Long Term/ Short Term	280.00	IRN BB/A4
Total Facilities		2,000.00	

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About Infomerics Credit Rating Nepal Limited:

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