

PRESS RELEASE

SHAURYA CEMENT INDUSTRIES LIMITED

July 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BBB-(Is)	Reaffirmed
Long Term Bank Facilities	10,769.88 (reduced from 10,858.67)	IRN BBB-	Reaffirmed
Short Term Bank Facilities	4,100.00 (enhanced from 3,160.00)	IRN A3	Reaffirmed
Total	14,869.88		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the issuer rating of IRN BBB- (Is) [Triple B Minus (Issuer)]. Issuers with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations.

Also, Infomerics Nepal has reaffirmed the rating of IRN BBB- (Triple B Minus) assigned to the long-term bank facilities of NPR 10,769.88 Mn and the rating of IRN A3 (A Three) assigned to the short-term bank facilities of NPR 4,100.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to Shaurya Cement Industries Limited (SCIL) and its bank facilities derive comfort from its strong promoter groups- "Shanker Group", "Ambe Group" and "Hulas Group" supported by an experienced management team along with a long track record in the cement industry. The company benefits from operating efficiency due to backward integration, with adequate supply arrangements for inputs (mainly clinker) and power. The ratings also positively factor mitigation of implementation risk after stable revenue and profitability in last three fiscal years ending FY24. Also, the ratings take positive note of stable financial performance of the company with during past three financial years ending FY24 despite industry headwinds. The successful ramp up of its manufacturing unit, coupled with an improving regional market share, especially in eastern Nepal, is further expected to support the financial risk profile.

Nonetheless, the ratings are constrained by the company's leveraged capital structure and moderate debt coverage metrics. However, the expected proceeds from the initial public offerings (IPO) are likely to support the gearing profile and debt coverage indicators, assuming full subscription. Furthermore, working capital-intensive nature of operations, risks associated with the stabilization of operations, exposure to industry cyclicity and regulatory changes, and the highly competitive nature of the cement industry in Nepal remains an additional challenge. Hence, the company's ability to scale up its operations while improving its capacity utilization and managing fluctuations in raw material prices remains crucial. Going forward, the company's ability to drive revenue growth while sustaining stable operating margins, strengthen capitalization/coverage, improve working capital efficiency while improving capacity utilization, and successfully execute the IPO issuance and its utilization as envisaged would remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter groups and management team along with long track record in manufacturing industry

SCIL benefits from a strong promoter profile, being a joint venture among three prominent business houses in Nepal—Shanker Group, Ambee Group, and the C.K. Golchha family—each with an established presence of over four decades across diverse sectors such as manufacturing, trading, insurance, hydropower, and real estate. The company is expected to leverage operational synergies from these groups, particularly in supply chain and distribution networks. The long-standing business experience and financial flexibility of the promoter groups lend comfort to SCIL's credit profile, while the presence of a qualified and experienced management team is likely to support its operational execution and business sustainability going forward.

Stable financial performance

Over the last three financial years (FY22-FY24), the company has demonstrated a broadly stable trend in operational revenues, with Total Operating Income (TOI) over NPR 7,000 Mn. As of mid-April 2025, the company has reported a TOI of NPR 5,876 Mn, indicating a potential year on year recovery, subject to stable revenue realization in the final quarter. Furthermore, the company has maintained a stable EBITDA margin at ~27%, underscoring consistent operational efficiency and cost control. However, net profitability has exhibited a downward trend, with PAT margin declining from 7.71% in FY22 to 0.85% in FY24, largely driven by higher interest and depreciation costs. The ability of management to cope up with industry headwinds and improve its net profitability margin will remain key monitorable.

Backward integration

SCIL's backward integration through its clinker manufacturing unit (3,000 TPD, operational since late 2021) and captive limestone mines under its sister concern significantly strengthens its operational profile. The mines, located around 40 km from the plant site in Mirchaiya, Siraha, are expected to ensure long-term raw material security, with limestone from Katari, Udaypur known for its superior quality and low MgO content. This integration supports better control over input costs and product quality, aiding brand positioning in a competitive market. Additionally, the 5.5-MW waste heat recovery system (WHRS) at Mirchaiya, meeting ~25% of the plant's energy requirement, is expected to yield substantial savings and improve cost competitiveness going forward.

Strategic location of the project with established marketing & distribution network

The manufacturing plant of SCIL is situated at Mirchaiya of Siraha district in East-West Highway covering the major city areas, provides a locational advantage in terms of logistic operation and management. Also, SCIL as well as group's wide network of above 2,500 dealers all over Nepal distributing multiple grades cement as well as clinker with presence of its own brand name "Shaurya Cement" should continue to support the business.

Government support for production-based industries

Nepal is a growing economy and is continuously focusing on development of various sectors. The budget for FY24 has focused on high and sustainable growth by building a production-based economy. Cash subsidy up to 8% shall be provided for export of cement or clinker. Concession up to 15% shall be given to industries consuming electricity of NPR 100 Mn or more monthly. Furthermore, 30% rebate is given on income tax for companies employing 1,000 or more workers during a financial year. Also, the budget for FY24 has allocated NPR 302 Bn for various capital expenditures which indicates growing demand for construction materials like cement products in developing public as well as private infrastructures, road, bridges and other public facilities.

Key Rating Weaknesses

Leveraged capital structure with stretched liquidity

The capital structure continues to remain leveraged, albeit with a marginal improvement as reflected by a gearing ratio of 3.07x as of mid-April 2025, compared to 3.44x in FY24, primarily due to the

reduction in short-term borrowings. Total outside liabilities to tangible net worth (TOL/TNW) have remained elevated above 3x over the last two fiscal years (FY23-FY24), and 3.51x in 9MFY25. Debt coverage indicators remain moderate, with the debt service coverage ratio (DSCR) stable at 1.43x in 9MFY25 (1.49x in FY24), while the interest coverage ratio improved to 1.91x in 9MFY25 from 1.39x in FY24, supported by improved operating profitability and reduced interest burden. SCIL has elongated operating cycle of 157 days in FY24 driven by elongated collection periods and high raw material inventory owing to competitive pressures. SCIL's dependency on short-term borrowing also remains high, as reflected in the working capital utilization of ~66% as of Mid-June 2025, hence remains a concern in terms of cushion availability in absorbing liquidity shocks going forward. Nonetheless, overall leverage is expected to improve as SCIL does not intend to undertake any additional debt-funded capex over the medium term, along with significant debt reduction expected from the IPO issuance.

Exposure to cyclical trends, regulatory changes, and forex risk

SCIL remains exposed to inherent cyclicity in the cement industry, with demand closely tied to the pace of infrastructure and construction activity in the country. Seasonal variations in construction, particularly during monsoon months, can also affect plant utilization and revenue visibility. While the current regulatory regime supports domestic manufacturers through high import duties, any adverse change in such policies could significantly alter competitive dynamics, given the cost-intensive and volume-driven nature of cement logistics in Nepal. Although SCIL plans to meet its clinker requirement through backward integration, reliance on imported raw materials such as iron ore, dry slag, fly ash, coal, and gypsum exposes it to forex fluctuation and global price volatility risks, which may exert pressure on margins in the absence of adequate hedging mechanisms.

Intense competition in the industry

In the cement industry, market dominance is typically held by large producers with strong brand recognition. However, the market landscape is characterized by a mix of organized and unorganized players, resulting in limited pricing power for new entrants and impacting profitability amidst fierce competition. Currently, there are approximately 55 cement industry and 20 clinker manufacturing units operational, with several additional units in the pipeline. The impending influx of new units, alongside existing units undergoing capacity expansions, is anticipated to further constrain pricing flexibility in the future. Consequently, any notable increase in input material costs is likely to exert pressure on the industry's overall margins in the face of heightened competition.

Analytical Approach: Standalone

Applicable Criteria:

[Issuer Rating Methodology](#)

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Shaurya Cement Industries Limited-BLR-Surveillance-April 2024](#)

[Shaurya Cement Industries Limited-IR-September 2023](#)

About the Company:

Shaurya Cement Industries was incorporated in September 2017 as a private limited company and later in August 2022 was converted to public limited company. SCIL is an integrated grinding unit having its manufacturing plant located at Mirchaiya of Siraha district with a total installed capacity of 3,000 TPD. SCIL is jointly owned by three corporate houses- Shanker Group, Ambe Group, Hulas Group, among others, where Mr. Sulav Agrawal is the chairman.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	9MFY25
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	7,429	7,406	7,026	5,876
EBITDA Margin (%)	27.65	27.32	27.53	25.83
Interest Coverage Ratio (x)	1.94	1.49	1.39	1.91
Current Ratio (x)	1.18	1.19	0.93	1.10
Overall Gearing Ratio (x)	3.82	3.32	3.44	3.07

*Classification as per Infomerics Nepal Standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure 1: Detail of Facilities

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	10,769.88	IRN BBB-
Fund Based Bank Facilities- Working Capital Loan	Short Term	4,100.00	IRN A3
Non-Fund Based Bank Facilities- BG*	Short Term	10.00	IRN A3
Total Facilities		14,879.88	

*BG=Bank Guarantee

Analyst Contacts

Mr. Utshav Bikram Malla

Tel No.+977-1-4583304/4585906

utshav.malla@infomericsnepal.com

Ms. Kritagya Pyakurel

Tel No.+977-1-4583304/4585906

kritagya.pyakurel@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini

Tel No.+977-1-4583304/4585906

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

Web: 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.