**PRESS RELEASE**

**ANK CONSTRUCTION COMPANY PRIVATE LIMITED**

**October 2025**

**Ratings**

| Instrument/Facilities | Amount (NPR Mn) | Ratings | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 262.37 (enhanced from 237.70) | IRN BB | Reaffirmed |
| Short Term Bank Facilities | 348.00 (enhanced from 298.00) | IRN A4 | Reaffirmed |
| Long Term/Short Term Bank Facilities | 5,276.20 (reduced from 5,921.70) | IRN BB/A4 | Reaffirmed |
| **Total** | **5,886.57** | | |

*Details of facilities are in Annexure 1 below*

Infomerics Nepal has reaffirmed the rating of IRN BB (Double B) assigned to the long-term bank facilities of NPR 262.37 Mn, IRN A4 (A Four) to the short-term bank facilities of NPR 348.00 Mn, and IRN BB (Double B) / A4 (A Four) to the long term/short term bank facilities of NPR 5,276.20 Mn.

## Detailed Rationale

The reaffirmation of ratings assigned to bank facilities of ANK Construction Company Private Limited (ANK) continue to derive strength from its established operational track record and its experienced promoters. The ratings also take note of moderate capital structure albeit weakened debt service coverage indicators. ANK's counterparty risk remains moderate with escalation clauses in major contracts and its order book position reflects mid-term revenue visibility with projects expected to complete within next two-three years.

These rating strengths, however, are constrained by ANK's moderation in financial performance during FY24, concentrated order book position, project execution risk, existence in a competitive industry, interest rate volatility risk and defect liability risk. Going forward, ANK's ability to improve its overall financial performance, secure new contracts and execute ongoing projects efficiently and recover contract proceeds on timely manner will remain key rating sensitivities.

## Detailed Description of Key Rating Drivers

## Key Rating Strengths

### Experienced promoters and established track record of operations

ANK is led by Mr. Shreeram Maharjan, Chairman, having more than four decades of experience in the field of construction. Similarly, Mr. Amrit Kumar Maharjan, Managing Director, also possesses more than two decades of experience in the field of construction. ANK holds "A" class certificate in construction business and has long track record of operation. The board is supported by experienced personnel across various functions.

### Adequate albeit concentrated order book position

ANK's unexecuted orders in hand as of mid-July 2025, stood at ~NPR 6,287 Mn (ANK's share in JVs). The order book position reflects mid-term revenue visibility as the projects are expected to complete within next two-three years. However, ~39% of the total order book is concentrated in single project giving rise to single party concentration risk. The order book remains geographically concentrated in Bagmati Province with ~67% of the outstanding order book position, posing to several risks including economic vulnerability and regulatory challenges. Therefore, the company's ability to complete the orders in hand on envisaged timelines and secure new orders to improve its overall financial and operational performance will be crucial.

**Moderate capital structure albeit weakened debt metrics**
ANK's overall gearing ratio remains moderate at 1.62x as of mid-July 2024, improved from 2x as of mid-July 2023, primarily due to reduction of short term borrowings and unsecured loans, despite an increase in long term debt, due to conversion of fluctuating working capital loan into permanent working capital loan. The overall gearing ratio including mobilization advance stood at 1.84x as of mid-July 2024 compared to 2.23x as of mid-July 2023. Nonetheless, the interest coverage ratio deteriorated to 1.53x in FY24 from 2.37x in FY23. Furthermore, total debt to Gross Cash Accruals (GCA) ratio increased from 7.89x in FY23 to 8.21x in FY24, further elevated to ~15x in 9MFY25. Also, DSCR stood at 2.06x in FY24, declined from 2.38x in FY23. Total Outside Liabilities/Total Net worth (TOL/TNW) ratio was high at 3.14x and 2.88x in FY24 and FY23 respectively, increasing to 3.67x as of mid-April 2025, limiting the financial flexibility albeit improving gearing position. Therefore, ANK's ability to maintain healthy debt servicing profile will remain key monitorable.

**Moderate counter party risk with escalation clauses in major contracts**
ANK primarily operates as contractor for governmental projects related to roads, bridges, and buildings. Counter party risk remains moderate given the projects are from government departments and agencies, which have been making timely payments to the company in the past. Furthermore, price adjustment clauses included in the majority of the contracts protects ANK against adverse changes in the price of construction materials. This is crucial, especially considering the current global inflationary trend. Nevertheless, the coverage provided by the escalation clauses is capped, thus ANK still retains a portion of the raw material price volatility risk.

## Key Rating Weaknesses

**Moderation in financial performance**
ANK's total operating income (TOI) registered a y-o-y growth of ~17% increasing to NPR 682 Mn in FY24, due to the progress achieved on most of the ongoing projects. However, ANK recorded the TOI of NPR 451 Mn during FY25, indicating a ~34% decline in revenue from FY24. EBITDA has decreased by ~26% in FY24 in comparison to that of FY23, due to increase in raw material and operational cost. Additionally, PAT underwent a moderate increase by ~22% in FY24 in comparison to FY23, primarily due to increase in non-operational income. Also, PAT margin remained modest at 1.89% in FY24, yet improved from 1.81% in FY23. GCA decreased to ~NPR 79 Mn in FY24 from ~NPR 93 Mn in FY23. Thus, ANK's ability to improve its overall financial performance will remain critical.

**Project execution risk**
ANK's business model has some inherent risk and the projects are susceptible to delays in procedural approvals, site clearances and other operational issues exposing the company to the risk of delay in project execution leading to delays in realization of revenues. Thus, the company's progress in executing projects as planned would remain a key aspect.

**Existence in a competitive industry with exposure to government regulation**
The construction sector of Nepal is highly competitive with presence of large number of contractors and the contractors are subject to a competitive bidding process to secure the work from governmental agencies. Furthermore, the business also remains dependent on stability in government policies/ fiscal policies and GoN's capital expenditure. Thus, ANK's ability to obtain new projects while maintaining profit margins remains crucial.

**Interest rate and defect liability risk**
The interest rate on deposits and borrowings remain a significant factor in the Nepalese economy. In line with NRB's directives, the BFIs typically charge an interest rate on loans by adding a premium to the base rates which is revised on a quarterly basis. The interest rates charged by BFIs have been historically volatile over the past 2-3 years and thus borrowing from banks and financial institutions exposes ANK to the risk of interest rate volatility. Further, ANK is susceptible to financial losses arising out of defects

identified by the client during the defect liability period as per the terms of the construction contracts which is 1 year to 5 years for its projects.

**Analytical Approach:** Standalone

**Applicable Criteria:**
Corporate Credit Rating Methodology

**Past Rating Rationale:**
ANK Construction Company Private Limited: Bank Facilities Rating Assigned

**About the Company:**
ANK Construction Company Private Limited (ANK) was incorporated in 1984 and is "A" class construction company since August 1992. The company has an established track record of operations and has successfully completed over 85 projects related to roads, bridges, building, hydropower, and irrigation among others.

**Financial Indicators (Standalone)**

| For the year ended* As on | FY21 | FY22 | FY23 | FY24 | 9MFY25 |
|---|---|---|---|---|---|
| | Audited | Audited | Audited | Audited | Unaudited |
| Total Operating Income (NPR Mn) | 1,213 | 1,245 | 614 | 682 | 164 |
| EBITDA Margin (%) | 18.48 | 17.32 | 25.83 | 17.09 | 44.97 |
| Interest Coverage Ratio (x) | 3.47 | 2.98 | 2.37 | 1.53 | 2.41 |
| Current Ratio (x) | 1.07 | 1.14 | 1.12 | 1.50 | 1.42 |
| Total Debt/GCA (years) | 5.47 | 5.46 | 7.89 | 8.21 | 14.94 |
| Overall Gearing Ratio (x) | 2.36 | 1.91 | 2.00 | 1.62 | 2.37 |

**Classification as per Infomerics Nepal standards*
*Earnings before Interest Tax Depreciation Amortization (EBITDA)*

**Annexure1: Detail of Facilities:**

| Name of Instruments/ Facilities | Type of Facilities | Amount (NPR Mn) | Ratings |
|---|---|---|---|
| Long Term Bank Facilities- Term Loan | Long Term | 262.37 | IRN BB |
| Short Term Bank Facilities- Working Capital Loan | Short Term | 348.00 | IRN A4 |
| Long Term/Short Term Bank Facilities- LC, BB-BG, PG/APG* | Long Term/ Short Term | 5,276.20 | IRN BB/A4 |
| **Total Facilities** | | **5,886.57** | |

**LC=Letter of Credit, BB-BG=Bind Bond Bank Guarantee, PG/APG=Payment Guarantee/Advance Payment Guarantee*

**Analyst Contacts**

**Ms. Samigya Acharya**
Tel No.+977-1-4583304/4585906
samigya.acharya@infomericsnepal.com

**Ms. Kritagya Pyakurel**
Tel No.+977-1-4583304/4585906
kritagya.pyakurel@infomericsnepal.com

**Relationship Contact**

**Mr. Rabin Pudasaini**
Tel No.+977-1-4483304/4485906
rabin.pudasaini@infomericsnepal.com

**About Infomerics Credit Rating Nepal Limited:**
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**Infomerics Credit Rating Nepal Limited**
Tanka Prasad Marga, Baneshwor Height, Kathmandu
Phone: +977-1-4583304/4585906
Email: info@infomericsnepal.com
Web: www.infomericsnepal.com