

PRESS RELEASE**LUMBINI CERAMICS LIMITED****November 2025****Rating**

Instruments/ Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB- (Is)	Assigned

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the issuer rating of IRN BB- (Is) [Double B Minus (Issuer)]. Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

Detailed Rationale

The rating assigned to Lumbini Ceramics Limited (LCL) factors in the experienced Board of Directors, and its association with 'Mangalam' group. The rating also derives comfort from the company's strategically located manufacturing facility near the Indo-Nepal border, which provides logistical advantages and cost efficiency in the procurement of key raw materials.

However, the rating strengths are partially offset by the company's modest financial performance during its initial year of operations, characterized by capacity utilization of 47.80% in FY25 with moderate EBITDA margin of ~8%. The substantial interest expenses and depreciation resulted in net losses and negative Gross Cash Accruals (GCA). Also, the capital structure of LCL remains leveraged, with an overall gearing of 2.32x as of mid-July 2025, owing to the largely debt-funded company's project which has been further exacerbated by the decline in Tangible Net Worth (TNW) resulting from the net losses incurred by the company. The rating also factors in the working capital intensive nature of operations, reflected in an elevated working capital intensity of ~52% in FY25, primarily driven by a high inventory holding of 211 days and an average collection period of 93 days. Going forward, the company's ability to scale up operations, improve profitability and debt protection metrics through efficient working capital management will remain key rating sensitivities. Additionally, the timely execution of the proposed IPO and prudent utilization of the proceeds will be key monitorable.

Detailed Description of Key Rating Drivers**Key Rating Strengths****Experienced Board of Directors and group presence in related sector**

LCL benefits from the guidance of an experienced six-member Board of Directors led by Mr. Subrat Dhital, who brings over three decades of expertise across manufacturing, commercial real estate and the energy sector. The Board of Directors is supported by a competent professional team across various functions. The company also draws operational strength from its association with the 'Mangalam' group, which has its presence through other business ventures, and is expected to provide meaningful support and help mitigate offtake risks for LCL.

Favorable demand outlook supported by urbanization and strategic location advantage

Demand for ceramic products in Nepal is expected to remain healthy, underpinned by rising urbanization and steady growth in residential and commercial construction. Increasing consumer preference for durable and aesthetically superior tiles, along with ongoing infrastructure development, is likely to support LCL's demand visibility and aid improvement in capacity utilization over the medium term. Additionally, the company benefits from its strategic location near the Rupaidiha-Nepalgunj border, which facilitates efficient sourcing of key raw materials from India and reduces logistics costs. This locational advantage enhances operational flexibility and strengthens LCL's competitiveness in the domestic market.

Key Rating Weaknesses

Stabilization risk

The company commenced its commercial operations in mid-August 2025 and remains in the early phase of ramp-up, as reflected in the moderate TOI of ~NPR 908 Mn in FY25 with an EBITDA margin of ~8%. However, substantial interest expenses and depreciation resulted in a negative PAT margin and negative gross cash accruals. The company's ability to achieve a steady scale-up in capacity utilization, improve profitability and strengthen overall financial performance will remain a key rating monitorable.

Leveraged Capital Structure with modest debt coverage indicators

LCL's capital structure remains leveraged, with overall gearing of 2.32x as of mid-July 2025, deteriorated from 1.89x in FY24, driven by erosion in tangible net worth following losses during the initial year of operations and the full disbursement of bank debt in FY25. The TOL/TNW level also increased to 2.91x at the end of FY25 from 2.72x in FY24, indicating elevated reliance on external liabilities. The debt coverage indicators of the company remained modest, with interest coverage of 0.34x and DSCR of 0.50x in FY25, constrained by subdued EBITDA generation in the early stabilization phase. Improvement in operating efficiency, profitability and cash-flow adequacy will be critical for strengthening the company's financial risk profile going forward.

Working capital intensive nature of business

The company operates in a working capital-intensive segment, reflected in an elevated working capital intensity of ~52% in FY25, primarily driven by a high inventory holding of 211 days and an average collection period of 93 days. While the operating cycle remains relatively comfortable at 23 days owing to an extended creditor period of 281 days, the company's dependence on such elongated supplier credit exposes it to potential liquidity pressure in the event of any tightening in trade terms. Going forward, the company's ability to optimize inventory levels and improve receivable management will be a key monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Issuer Rating Methodology](#)

About the Company:

Lumbini Ceramics Limited (LCL), was incorporated on September 20, 2021 and converted into Public Limited Company on February 23, 2023. LCL is involved in manufacturing glazed vitrified tiles with its factory located at Gulariya-08, Bardiya district in Nepal. The total installed capacity (Per annum) is 41.38 Mn Sq. ft. Mr. Subrat Dhital is the major shareholder holding 17.98% of total shares as of mid-July 2025.

Financial Indicators (Standalone)

For the year ended* As on	FY25#
	Unaudited
Total Operating Income (NPR Mn)	908
EBITDA Margin (%)	7.58
Interest Coverage Ratio (x)	0.34
Current Ratio (x)	0.98
Overall Gearing Ratio (x)	2.32
Total Outside Liabilities/Tangible Net Worth (x)	2.91
Working Capital Intensity (%)	51.82

Earnings before Interest Tax Depreciation Amortization (EBITDA)

**Classification as per Infomerics Nepal standards*

#The company was operational for 11 months since mid-August 2024



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About Infomerics Credit Rating Nepal Limited:

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