

PRESS RELEASE

HULAS FINSERV HIRE PURCHASE LIMITED

December 2025

Rating

Instruments/ Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BBB (Is)	Upgraded from IRN BBB-(Is)

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

Detailed Rationale

The upgradation of rating assigned to Hulas Finserv Hire Purchase Limited (HFSL) factors in a substantial scaling up in operations characterized by ~141% Y-On-Y spike in loan portfolio which has translated into strong financial performance, with net interest income increasing by ~67%, total operating income by ~79%, and PAT by ~120% in FY25 over FY24. The rating also factors in company's broadening of HFSL's customer base by entering into low priced-high utility common electronics segment which have boosted its presence to three times the customer base in FY25 over FY24 (142,755 in FY25 vis-à-vis 44,549 customers in FY24) which in turn have increased the granularity of the portfolio as evidenced by ~27% reduction in ticket size in FY25, ultimately reducing the concentration risk. The rating reflects a marked improvement in asset quality, with Gross Non-Performing Loans (delay >180 days) declining to 3.37% as of mid-July 2025 from 5.75% at the end of FY24. This improvement is primarily driven by the dilution effect of portfolio growth given the absolute amount of GNPA has increased (~NPR 278 Mn in FY25 vis-à-vis ~NPR 200 Mn in FY24). The rating continues to factor in long track record of operations (since 2012) coupled with strong and experienced promoter group namely 'Golchha group' and majority parentage (~82% of shareholding as on mid-July 2025) of M/S Hansraj Hulaschand and Company Private Limited, a sole authorized dealer of Bajaj bikes providing competitive advantage to HFSL. The relationship of HFSL with its parent company facilitates integrated value creation and synergy among both companies enhancing financial and operational sustainability. HFSL's diverse product offerings, diverse geographical presence, and secure lending model further supports its risk profile and business growth.

The rating strengths are partly offset by a sharp increase in debt-funded loan assets, with borrowings rising by ~241% at the end of FY25 over FY24, resulting in a deterioration in capital structure as reflected in the overall gearing increasing to 4.13x as of mid-July 2025 from 1.55x in FY24. Although the gearing remains within the regulatory ceiling of 10x, the rapid rise in leverage remains a concern. The proposed IPO issuance at a premium is expected to support capitalization and provide partial comfort. The rating is further constrained by regulatory volatility in the product segment serviced by the company, as these products are classified as luxury items and are susceptible to changes in government policies, which can adversely impact operations and lead to volatility in the financial profile. Additionally, limited regulatory oversight of the sector, coupled with intense competition from banks and financial institutions targeting similar customer segments, and the inability of NBFCs such as HFSL to accept public deposits, pose strategic challenges.

Going forward, the company's ability to sustain the scalability of the business operations by maintaining the granularity, reducing asset slippages in portfolio and efficiently utilize its IPO proceeds for further expanding the businesses while managing its gearing profile will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Healthy growth in scale of operations supporting its profitability

HFSL's scale of operations expanded significantly in FY25, with the net loan portfolio increasing by ~141% year on year to NPR 8,025 Mn, supported by a sharp rise in borrowings of ~218% to NPR 6,150 Mn. The growth momentum continued in Q1FY26, with loan assets and borrowings increasing by ~24% and ~15%, respectively, over FY25. On account of the enlarged operating base, net interest income increased by ~61% in FY25 and by ~67% (annualized) in Q1FY26. Operating profitability improved, with operating profit to total operating income rising to ~36% in FY25 from ~31% in FY24, driven by improved asset quality and portfolio growth. Returns remained stable, with ROCE at 11.03% in FY25 (11.08% in FY24), while PAT increased sharply to NPR 216 Mn in FY25 from NPR 98 Mn in FY24, supported by scale expansion and strengthening asset quality.

Granular loan portfolio and improved asset quality

HFSL provides loan financing across five different sectors viz. two wheelers, three wheelers, four wheelers, home appliances and mobile devices with the loan asset diversified across these sectors. The loan portfolio is more diversified with two wheelers segment contributing 38% followed by four wheeler and mobile segments each contributing 29%. With increase in mobile sector financing (~29% in FY25 vis-à-vis 23% in FY24 of loan portfolio), the portfolio has become further granular as evident by average ticket size dropping by ~27% from NPR 77,863 in FY24 to NPR 57,310 in FY25. The increase in granularity coupled with further diversification of loan portfolio have reduced the concentration risk to an extent. Likewise, the asset slippages have reduced given the GNPA ratio improved to 3.37% in FY25 from 5.75% in FY24 with 90+ DPD improving to ~6% in FY25 from ~11% in FY23. This is primarily attributable to dilution effect of portfolio growth coupled with HFSL's increased penetration into the common electronics segment, which incentivizes borrowers to regularize their debt obligations. The presence of the Knox Guard system, which restricts access to devices in the event of payment delays, has further strengthened repayment discipline and reduced slippages. The ability of management to manage its asset slippages alongside granularity in portfolio remains key rating monitorable.

Long track record of operation and strong promoter profile with well-seasoned management team

Established in 2012 AD, HFSL boasts over a decade of operational history, making it one of the oldest Non-Banking Finance Company (NBFC) in Nepal. Furthermore, HFSL have strong group support of "Golchha Group", one of the oldest business groups in Nepalese Industry. M/S Hansraj Hulaschand and Company Private Limited, its parent company (85% shareholding as on Mid-July 2024) a sole authorized dealer of Bajaj bikes provides further competitive advantage to HFSL. The relationship of HFSL with its parent company facilitates integrated value creation and synergy among both companies enhancing financial and operational sustainability. Board Of Directors is chaired by Mr. Shekher Golchha, business entrepreneur having experience of well over 25 years. He is well supported by other directors and management personnel. The management team is led by Mr. Samir Kumar Thakur, General Manager who have over 15 years of experience. He is further supported by group of well experienced and qualified personnel.

Key Rating Weaknesses

Increase in borrowings leading to leveraged capitalization profile

The significant scale-up in operations has led to a sharp increase in debt-funded loan assets, with borrowings rising by around 218% year-on-year in FY25 over FY24. Consequently, the capital structure has become more leveraged, as reflected in the gearing ratio increasing to 4.13x as at FY25 from 1.55x in FY24 (4.66x in Q1 FY26). While the gearing remains well within the regulatory ceiling

of 10x, the elevated leverage increases the overall credit risk profile and constrains the rating. However, the expected capital infusion through the IPO, including securities premium, is likely to support capitalization and moderate leverage to some extent. The ability of the management to maintain a prudent capital structure while sustaining growth will remain a key rating monitorable.

Emerging Risk and Liquidity management practices coupled with limited Regulatory Oversight

HFSL and other hire purchase businesses are licensed and subject to regulation by Nepal Rastra Bank. Even though the hire purchase companies have riskier profile than banks and other financial institutions, they are comparatively less regulated than their counterparts, particularly in areas that are crucial to these NBFCs, such as the recognition of bad debts, the provisioning for bad debts, the maintenance of the capital adequacy ratio, Asset-Liability maturity assessment and other risk and liquidity management procedures. Any significant changes to the current regulatory framework by the regulatory body is expected to have an impact on the performance of hire purchase companies going forward.

Analytical Approach: Standalone

Applicable Criteria:

[Issuer Rating Methodology](#)

Link to past rating rationale:

[Hulas Finserv Hire Purchase Limited: Issuer Rating Assigned](#)

About the Company:

Hulas Finserv Hire Purchase Limited (HFSL), part of the Golchha Organization, has been operating as a hire purchase financing institution since its establishment in 2012, initially under the name Hulas Investment Private Limited. The company underwent a series of name changes, becoming Hulas Fin Serve Limited in 2021 and adopting its current name in November 2023 to comply with updated Nepal Rastra Bank (NRB) regulations. HFHPL operates under NRB's broad guidelines and benefits from its association with the Golchha Organization, a prominent group with over eight decades of experience across manufacturing and trading sectors in Nepal. The company is primarily promoted by Hansraj Hulaschand and Company Private Limited, which holds an ~82% stake and serves as the sole authorized dealer of Bajaj Bikes in Nepal. The remaining 18% is owned by various other institutional and individual shareholders, including Hulas Auto Craft Private Limited, an assembler of Bajaj two-wheelers and three-wheelers, and Him Electronics Private Limited, the authorized distributor of Samsung electronics and appliances.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	Q1FY26
	Audited				Unaudited
Total Operating Income (NPR Mn)	521	488	532	951	357
Profit After Tax (NPR Mn)	149	9	98	216	58
Net Worth (NPR Mn)	1,198	1,191	1,245	1,489	1,548
Total Managed Portfolio (NPR Mn)	3,588	2,524	3,333	8,026	9,934
Total Debt (NPR Mn)	2,428	1,387	1,935	6,150	7,217
Gearing Ratio	2.03	1.17	1.55	4.13	4.66
Interest Coverage Ratio	1.73	1.11	2.00	2.28	2.03
Gross NPL (%)**	3.08	7.11	5.75	3.37	NA
Net NPL (%)**	1.52	3.22	1.44	0.80	NA
90+ days delinquencies	20.33	22.56	11.31	6.14	NA

For the year ended* As on	FY22	FY23	FY24	FY25	Q1FY26
	Audited				Unaudited
Return on Managed Assets (%)	3.99	0.30	3.42	4.00	2.85

* Classification as per Infomerics Nepal Standards

** If any loans are delayed by more than 6 months, entire outstanding loan is classified under non-performing loans

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About Infomerics Credit Rating Nepal Limited:

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