PRESS RELEASE

HULAS IRON INDUSTRIES LIMITED

December 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BBB- (Is)	Assigned
Long Term Bank Facilities	1,017.79 (reduced from 1,212.53)	IRN BBB-	Upgraded from IRN BB
Short Term Bank Facilities	4,370.00	IRN A3	Upgraded from IRN A4
Total	**5,387.79**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned 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 upgraded the rating assigned to the long-term bank facilities of NPR 1,017.79 Mn to IRN BBB- (Triple B Minus) from IRN BB (Double B) and short-term facilities of NPR 4,370.00 Mn to IRN A3 (A Three) from IRN A4 (A Four).

Detailed Rationale

The upgradation of ratings assigned to Hulas Iron Industries Limited (HIIL) and its bank facilities primarily reflects the promoters' extensive industry experience and the company's diversified product mix marketed under the well-established "Hulas" brand. The ratings further take comfort from the improved scale of operations, evidenced by ~13% y-o-y revenue growth in FY25, supported by better average realizations across key product categories along with a stable operating profit margin. Although the capital structure remains leveraged, the overall gearing improved to 2.58x as of mid-July 2025 and 2.24x as of mid-November 2025 from 4.09x as of mid-July 2024, primarily driven by equity infusion by the promoters. The ratings also draw support from the company's strategically located manufacturing facility at Birgunj providing logistical advantage. Moreover, the business outlook is underpinned by the Government of Nepal's continued policy emphasis on promoting a production-oriented economy, which provides various incentives to domestic manufacturing entities.

Nonetheless, the ratings remain constrained by the company's modest debt coverage indicators, though these are expected to strengthen following the proposed Initial Public Offering (IPO). The liquidity profile continues to be stretched, as reflected in the still-elevated working capital intensity, which, despite moderating to ~99% in FY25 from ~109% in FY24, continues to weigh on overall financial flexibility. The high working capital cycle is primarily driven by sizeable inventory requirements and elevated receivable levels. Additionally, HIIL remains exposed to foreign exchange volatility and the competitive nature of the industry. Going forward, the company's ability to sustain revenue growth, maintain a stable profitability profile, improve capitalization and coverage metrics, prudently manage working capital, and successfully execute the IPO and its effective utilization will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter group

HIIL's promoters bring extensive experience and a long-standing track record across various trading and manufacturing businesses. The company is owned by the Hulas Group, led by C.K. Golchha and his family. Mr. Golchha, who holds the majority share (over 70%), has more than 35 years of industry experience, particularly in the steel sector. This depth of expertise is expected to strengthen the group's understanding of market dynamics and support strong relationships with both suppliers and customers.

Improving financial performance

The company's financial performance improved in FY25, with TOI rising by ~13% y-o-y to NPR 3,403 Mn, driven by better average realizations across key product categories, following a marginal ~4% contraction in FY24. This growth momentum continued in 4MFY26, when TOI stood at NPR 802 Mn. Profitability indicators also exhibited a notable recovery, supported by lower raw material costs, with EBITDA margin at ~18% in FY24 and FY25 from a significantly lower 6.52% in FY23, and further strengthened to 19.81% in 4MFY26. PAT margin further strengthened to 2.56% in FY25 and 3.45% in 4MFY26 compared to 2.08% in FY24 and 0.35% in FY23, reflecting sustained operating efficiency and improved bottom-line performance.

Diversified product portfolio with use of established brand name

HIIL offers a wide range of iron and steel products including black pipes, GI pipes, sheets, structures, nails, gabion wires, coils, and various wire products, manufactured in multiple variants to meet diverse market demands. This broad application base reduces reliance on any single industry and enables the company to serve a larger customer segment. With all products sold under the "Hulas" brand across Nepal, the company benefits from strong brand recognition, consistent demand, and clear differentiation from competitors. Its established presence and strong brand visibility helps mitigate competition - driven price volatility and enables the company to maintain a stable presence in the Nepalese market with healthy turnover.

Government support for production-based industry and demand outlook of steels products

Nepal has a growing economy and is continuously focusing on development of various sectors. The budget for FY25 has focused on high and sustainable growth by building a production-based economy. Cash subsidy up to 8% shall be provided for export of steel products. Concession up to 15% shall be given to industries consuming electricity of NPR 100 Mn or more monthly. Further, 30% rebate is given on income tax for companies employing 1,000 or more workers during a financial year. Also, GoN has allocated NPR 352 Bn in FY25 for various capital expenditures which indicates growing demand for construction materials like steel products in developing public as well as private infrastructures, road, bridges and other public facilities.

Key Rating Weaknesses

Moderately Leveraged capital structure

HIIL's capital structure remains moderately leveraged, reflecting continued reliance on external debt. Overall gearing ratio rose from 3.62x at the end of FY23 to 4.09x at the end of FY24 but improved significantly to 2.58x as of mid-July 2025 and 2.24x as of mid-November 2025 supported by reduction in debt liability and accretion to tangible net worth; driven by equity injection by the promoters. Similarly, Total Outside Liabilities/Tangible Net worth (TOL/TNW) increased to 4.29x in FY24 from 3.93x in FY23 and improved to 2.91x in FY25 and 2.40x in 4MFY26. Debt servicing indicators, remains constrained, with Debt Service Coverage Ratio (DSCR) below unity at 0.94x in FY25 and 0.90x in 4MFY26. However, interest coverage ratio improved from 0.86x in FY23 to 1.16x in FY24 and further to 1.41x in FY25 and 1.52x in 4MFY26. Thus, HIIL's ability to reduce leverage and maintain adequate debt coverage metrics will remain key monitorable.

High working capital intensity

Operations of HIIL remain working capital intensive, as reflected by the elongated operating cycle which increased from 193 days in FY23 to 318 days in FY24 and further to 364 days in FY25. This elongation was mainly due to higher inventory holding, which hiked from 118 days in FY23 to 175 days in FY24 and 228 days in FY25 and receivable days which increased from 139 days in FY23 to 183 days in FY24, though it slightly improved to 163 days in FY25. Meanwhile, the creditors period shortened from 64 days in FY23 to 39 days in FY24 and further to 27 days in FY25. Furthermore, working capital intensity surged from 90% in FY23 to 99% in FY25, reflecting higher funds being tied up in operations due to growth in receivables and inventory. While profitability has improved, the elevated working capital requirement exert moderate pressure on liquidity. As such, HIIL's ability to manage the working capital will remain crucial for maintaining a more stable liquidity profile.

Exposure to foreign exchange fluctuation risk and intense competition present in the steel industry
HIIL is exposed to foreign exchange fluctuation risks due to a currency mismatch, where majority of its raw materials are imported in USD while the finished goods are realized in the local currency. HIIL normally uses TR-USD loans to finance the import of raw materials, which exposes the company to forex risk amid partial hedging of its dollar denominated purchase. The iron and steel industry has numerous small and large, organized and unorganized players, making it intensely competitive. The low entry barrier has limited the pricing flexibility and bargaining power of the players in the industry. The demand for iron and steel products is considered cyclical, and the massive capacity enhancement due to the entry of new players, as well as the substantial capacity expansion by the existing players, could impact the net realization price of iron and steel products, affecting revenues and profits. The manufacturers of steel construction materials are essentially price-takers in the market, which directly exposes their cash flows and profitability to volatility in steel prices.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology
Corporate Credit Rating Methodology

Past Rating Rationale:
Hulas Iron Industries Limited: Bank Facilities Rating Assigned

About the Company:
Hulas Iron Industries Private Limited was incorporated in April 2017 and recently, in July 16, 2023, it converted to a Public Limited Company. It operates a manufacturing plant located in Birgunj in Parsa District of Nepal, specializing in the production of various pipes and sheets products. Commercial operation commenced during FY21 and has been in full operation since FY22. The company has a total installed capacity of 105,765 MTPA. HIIL is a part of the Hulas group, which maintains a significant presence in Nepal through its related companies in various industries. Mr. Chandra Kumar Golchha (72.98%) is a major shareholder as of November 2025.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	4MFY26
	Audited	Audited	Audited	Unaudited	Unaudited
Total Operating Income (NPR Mn)	3,043	3,128	3,004	3,403	802
EBITDA Margin (%)	6.95	6.52	17.85	17.91	19.81
Interest Coverage Ratio (x)	1.41	0.86	1.16	1.41	1.52
Current Ratio (x)	1.06	0.91	1.18	1.26	1.24
Overall Gearing Ratio (x)	3.78	3.62	4.09	2.58	2.24
TOL/TNW	4.61	3.93	4.29	2.91	2.40

**Classification as per Infomerics Nepal standards*
Earnings before Interest Tax Depreciation Amortization (EBITDA)
Total Outside Liabilities/Tangible Net worth (TOL/TNW)

Annexure:1 Detail of Facilities:

Name of Instruments/Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	1,017.79	IRN BBB-
Fund Based Bank Facilities-Working Capital Loan	Short Term	3,810.00*	IRN A3
Non-Fund Based Bank Facilities- LC/BG#	Short Term	4,110.00*	IRN A3
Total Facilities		**5,387.79**	

#LC/BG=Letter of Credit/Bank Guarantee

**The total working capital loan limits, including both fund-based and non-fund-based limits, shall not exceed NPR 4,370 Mn at any point of time.*

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About Infomerics Credit Rating Nepal Limited:
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