PRESS RELEASE

HULAS WIRE INDUSTRIES LIMITED

December 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	2,938.25	IRN BB+	Assigned
Short Term Bank Facilities	4,354.50	IRN A4+	Assigned
Total	**7,292.75**		

Details of facilities are in Annexure 1 below

Infomerics Nepal has assigned the rating of IRN BB+ (Double B Plus) to the long-term bank facilities of NPR 2,938.25 Mn and IRN A4+ (A Four Plus) to the short term bank facilities of NPR 4,354.50 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Hulas Wire Industries Limited (HWIL) derive strength from its experienced promoters from the Golchha family, supported by an experienced management team. The company's backward integration in billet production, which is a key component of steel production, brings in cost efficiencies. The ratings also factor in the moderate yet improving financial performance marked by enhancement of profitability in FY25, with EBITDA margin expanding to 9.19% from 6.94% in FY24, supported by better sales realization and lower raw material costs. Nonetheless, these rating strengths are constrained by the company's leveraged capital structure, reflected in an overall gearing of 2.07x as of mid-July 2025 (2.57x in FY24), modest debt coverage indicators, and a stretched liquidity profile arising from high working capital intensity and elongated inventory cycles. The ratings also take into consideration the exposure to volatility in raw material prices, exposure to regulatory risk and foreign exchange fluctuation risk. Going forward, the company's ability to sustain the improvement in profitability, manage working capital prudently, and further strengthen its capital structure will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established track record of operation with experienced promoters

HWIL benefits from the extensive experience of its promoters from the Golchha family, a well-established name in Nepal's industrial sector. The company is currently led by Mrs. Yukti Golchha, Managing Director, having an experience over nine years in the industry. With over three decades in steel and alloy manufacturing, HWIL has developed a strong market presence, offering a wide range of products including GI wires, TMT bars, Gabion box, pipes, and copper-alloy strips.

Established brand name and Backward Integration in billet production

The well recognized brand "Golchha" of HWIL aids in steady demand and distinguish HWIL's products from those of competitors. This strategic branding has maintained HWIL's market presence in Nepal. HWIL also produces billets, a vital semi-finished steel product required for manufacturing steel. It has its own billet manufacturing plant which has a total production capacity of 86,400 MTPA as of mid-July 2025. By integrating billet production into its operations, HWIL enhances cost efficiency and minimizes reliance on external suppliers for essential semi-finished steel products. This strategic move also bolsters the company's competitive advantage, positioning it more effectively to manage market fluctuations and supply chain disruptions.

Moderate financial performance

HWIL's financial performance remains moderate, marked by CAGR of ~24% over the past three years ending FY25, albeit a ~13% y-o-y contraction in FY25. HWIL's Total Operating Income (TOI) stood at NPR 7,375 Mn in FY25 declined from NPR 8,512 Mn in FY24 (FY23: NPR 6,051 Mn). The growth in FY23 and FY24 was primarily volume-led, supported by the management's strategic thrust on bulk sales, including increased low-priced exports, which, despite supporting revenue traction, exerted pressure on profitability and resulted in net losses in FY24. In FY25, the company strategically reduced turnover by avoiding low priced sales and focus on higher realization which improved EBITDA despite lower revenue. EBITDA continued its upward trajectory to NPR 678 Mn in FY25 from NPR 428 Mn in FY23 and NPR 591 Mn in FY24, with the margin strengthening to 9.19% in FY25 from 6.94% in FY24 on account of enhanced sales realization coupled with reduced cost of key raw materials. Net profits remained vulnerable to high interest expenses; however, PAT margin improved to 2.10% in FY25 compared to net losses in FY24. GCA also exhibited a recovery trend, rising to NPR 220 Mn in FY25, indicating improved internal cash-generation capability. Thus, sustainability of revenue growth and profitability amid pricing pressures, raw material volatility and external regulatory challenges will be a key monitorable.

Key Rating Weaknesses

Leveraged capital structure and modest debt coverage indicators

HWIL's capital structure remains considerably leveraged, driven by elevated debt levels and moderate internal accrual generation, although FY25 reflects slight improvement. Overall gearing remained stretched at 2.57x at the end of FY24, moderated to 2.07x in FY25 following an equity infusion of NPR 51 Mn by existing promoters. Debt coverage indicators remained modest, with DSCR weakening to 0.76x in FY24 before recovering marginally to 0.94x in FY25, while interest coverage remained moderate at 1.21x and 1.62x in FY24 and FY25, respectively, constrained by a sizable finance cost burden. Overall, despite marginal improvement in FY25, the company's capital structure continues to exhibit a leveraged profile. Going forward, the company's ability to sustain moderate leverage, maintain adequate debt servicing, and strengthen internal cash-generation will remain a key monitorable.

Stretched liquidity profile

HWIL's liquidity position remains stretched, characterized by persistently high working capital intensity, which increased to ~55% as of mid-July 2025 from ~54% a year earlier, primarily due to elongated inventory and debtor cycles. The working capital utilization averaged 85.12% as of mid-July 2025, reflecting high use of sanctioned limits with moderate liquidity cushion. Average Inventory days escalated from 125 days in FY24 to 177 days in FY25 largely on account of the company's strategy to avoid low-priced sales amid market pricing pressures, opting to hold inventory for better realizations. Additionally, reduced exports of GI wire to India contributed to higher inventory levels, with a notable portion comprising GI wire stocks. The operating cycle remained stretched, moving from 125 days in FY23 to 141 days in FY24 and deteriorating further to 186 days in FY25, underscoring the structurally high working capital requirements of the business and weighing on the company's overall liquidity profile.

Cyclicality, forex, and regulatory risks

HWIL remains exposed to the inherent cyclicality of the steel and construction industries, which can lead to volatility in profitability and cash flows, further exacerbated by the highly fragmented nature of the industry. Steel prices are susceptible to fluctuations in global markets and movements in the US dollar exchange rate, given the company's reliance on dollar-denominated raw material imports while generating revenue in domestic currency, exposing it to forex risks. Additionally, frequent regulatory changes in import duties and excise structures pose a risk to profitability. The GoN, through the amendment in the Finance Act 2021, reduced customs duty on sponge iron (used for billet production) from 5% to 0% while imposing an excise duty of NPR 2.5 per kg on imported billets, incentivizing backward integration among steel players like HWIL. However, budgetary provisions for FY25 have partially reversed this advantage by increasing customs duty on sponge iron and reducing excise duty on billets. While integrated steel manufacturers are expected to retain some cost advantages, the company's ability to cope up with the frequent regulatory changes remain crucial.

Analytical Approach: Standalone.

Applicable Criteria:
Corporate Credit Rating Methodology

About the Company:
Hulas Wire Industries Private Limited was incorporated in 1979, which later converted into Hulas Wire Industries Limited (HWIL) on July 14, 2006. Founded by Late Mahendra Kumar Golchha, HWIL, is an ISO 9001 recognized company with a prolific and diversified product range with two manufacturing facilities; Unit 1, located in Budhiganga Gaupalika-3, Basbari, Morang, which houses capacities for GI Wire (55,000 MTPA), Gabion Boxes (14,400 MTPA), H.B. Wire (2,375 MTPA), Ribbed Wire (3,300 MTPA), Barbed Wire (450 MTPA), Wire Nails (1,200 MTPA), and non-ferrous products including Brass (5,560 MTPA) and Copper Sheets (2,200 MTPA) and Unit 2, situated in Khanar-13, Itahari, Sunsari, which manufactures TMT & Narrow Strip Coils (172,800 MTPA), MS Billets (86,400 MTPA), and MS Black Pipes (36,000 MTPA). HWIL is promoted by the members of the Golchha family with most of the shares held by Mr. Paaras M Golchha (~34%) and Ms. Rajlaxmi Golchha (~17%) as of October 16, 2023.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	FY25
	Audited	**Audited**	**Audited**	**Audited**	**Unaudited**
Total Operating Income (NPR Mn)	4,868	3,833	6,051	8,512	7,375
EBITDA Margin (%)	9.87	4.45	7.08	6.94	9.19
Interest Coverage Ratio (x)	7.11	1.37	1.70	1.21	1.62
Current Ratio (x)	1.35	1.18	1.69	1.37	1.37
TOL/TNW (x)	1.01	1.46	2.31	2.89	2.63
Overall Gearing Ratio (x)	0.89	1.16	1.72	2.57	2.07
Total Debt/EBITDA (x)	3.63	12.92	7.58	8.39	6.24

**Classification as per Infomerics Nepal standards*
Total Outside Liabilities/Tangible Net worth (TOL/TNW)
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	1,267.25	IRN BB+
Fund Based Bank Facilities- Permanent Working Capital Loan	Long Term	1,671.00	IRN BB+
Fund Based Bank Facilities- Working Capital Loan	Short Term	(3,304.00)	IRN A4+
Short Term Non-Fund Based Loan - LC/BG#	Short Term	4,354.50	IRN A4+
Total Facilities		**7,292.75***	

#LC= Letter of Credit; BG= Bank Guarantee
**Total limit of the loan shall not exceed NPR 7,292.75 Mn*

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About Infomerics Credit Rating Nepal Limited:

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