

## PRESS RELEASE

### ASIAN CONCRETO LIMITED

March 2025

#### Ratings

| Instrument/Facilities                | Amount (NPR Mn) | Ratings   | Rating Action |
|--------------------------------------|-----------------|-----------|---------------|
| Long Term Bank Facilities            | 623.45          | IRN BB    | Assigned      |
| Short Term Bank Facilities           | 310.00          | IRN A4    | Assigned      |
| Long Term/Short Term Bank Facilities | 40.30           | IRN BB/A4 | Assigned      |
| <b>Total</b>                         | <b>973.75</b>   |           |               |

Details of facilities are in Annexure 1 below

Infomerics Nepal has assigned the rating of IRN BB (Double B) to the long-term bank facilities of NPR 623.45 Mn, the rating of IRN A4 (A Four) to the short-term bank facilities of NPR 310.00 Mn and the rating of IRN BB/A4 (Double B/A Four) to the long-term/short-term bank facilities of NPR 40.30 Mn.

#### Detailed Rationale

The ratings assigned to the bank facilities of Asian Concreto Limited (ACL) derive strength from the experienced promoter group, which includes established industrialists with extensive industry expertise. The ratings also factor in the company's improving financial performance, driven by consistent revenue growth and increasing profitability supported by moderate order book position. The company also derives comfort from its strengthening market position and operational efficiencies.

However, these rating strengths are constrained by ACL's moderately leveraged capital structure and its limited operational track record in Nepal's emerging large-scale concrete products sector, leading to market penetration issues and competition. Additionally, high supplier and customer concentration poses risks to revenue stability, while the business remains exposed to cyclical trends and seasonal demand fluctuations in the construction sector.

Going forward, the company's ability to scale up its operations, sustain profitability, reduce financial leverage, expand market reach and manage working capital will remain key rating sensitivities.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

##### Experienced promoter group

ACL is managed under the overall guidance of its four-member Board of Directors (BoD) which includes prominent businessmen and industrialists with wide experience in various sectors. Mr. Manish Roongta is the chairman of ACL who brings over 25 years of experience. Mr. Manoj Kedia is another director of ACL who has over 15 years of experience. He is also the managing director of Kedia Organization. The promoters are supported by a team of technically qualified and experienced professionals to run the day-to-day operations of ACL. The company derives strength from its strong promoter group Rungta Group, Kedia Organization and Siddhartha group.

##### Improving financial performance along with moderate order book position

ACL exhibited a strong growth trajectory in revenue and profitability over the years. Total operating income has increased from ~NPR 209 Mn in FY19 to ~NPR 737 Mn in FY24, reflecting steady growth with CAGR of ~29%. In FY24, revenue increased by 74.66% from ~NPR 422 Mn to ~NPR 737 Mn, driven by increased sales volume and higher demand. EBITDA also improved from ~NPR 165 Mn in FY23 to ~NPR 265 Mn in FY24, although the EBITDA margin declined slightly from ~39% to ~36%

due to rising input costs and operational expenses. PAT turned positive in FY21 and has grown substantially since, reaching ~NPR 107 Mn in FY24. However, profitability in 6M FY25 has declined, with PAT at ~NPR 16 Mn and EBITDA margin dropping to ~30%, which is expected to improve in second half of FY25 due to majority of orders being executed in that period. The Gross Cash Accruals (GCA) of ACL improved from ~NPR 75 Mn in FY23 to ~NPR 175 Mn in FY24. Also, the order book position of March 04, 2025 stood moderate at ~NPR 1,197 Mn which is 1.62x of total operating income of FY24 providing mid-term revenue visibility for next 1-2 years.

## Key Rating Weaknesses

### Limited track record of operations

The company operates in Nepal's relatively nascent large-scale concrete products sector, having commenced operations from 2018. As one of the early entrants, it faces challenges in market penetration due to limited public awareness of such products. This has constrained its growth potential, as many consumers remain unfamiliar with the benefits of high-quality concrete-based solutions. Additionally, competition from small, unorganized manufacturers persists, driven by a general lack of quality consciousness in the broader market. However, ACL possess NS and ISO certification which makes it eligible for relatively larger projects providing competitive advantage to some extent.

### Moderate capital structure

The capital structure of ACL stood moderately leveraged with the overall gearing ratio of 2.25x as of mid-July 2024 vis-à-vis 3.57x in FY23. The overall gearing ratio improved to 1.81x as of mid-January 2025. The gradual improvement in the gearing ratio is mainly on account of improving net worth base with accretion of profits to the reserves along with infusion of equity by promoters. The company's debt coverage indicators stood moderate with Total Debt to EBITDA standing at 2.83x in FY24 (6MFY25: 5.18x). Interest coverage ratio stood at 2.99x in FY24 vis-à-vis 1.83x in FY23 (6MFY25: 2.58x).

### High supplier and customer concentration with limited market diversification

ACL faces significant concentration risks in both its supplier and customer base, which could impact its operational stability. The company's reliance on its top 10 suppliers has increased from ~63% in FY24 to ~81% in 6MFY25, indicating a heavy dependence on a limited group for raw materials. On the customer side, ACL operates on a project-based model, leading to a high concentration of sales among its top 10 customers. While the top 10 customers accounted for 53% of sales in FY24, rising to 55% in 6M FY25, the specific customers vary each year depending on the projects undertaken. This mitigates the risk of long-term dependency on a fixed set of clients but still exposes the company to revenue volatility due to the nature of large projects. Additionally, the company's geographical sales concentration remains high, with Bagmati Province contributing ~71% of total sales in 6M FY25, limiting nationwide market penetration. Although export sales have shown some growth, rising from ~2% in FY23 to ~11% in FY24, they still represent a small portion of overall revenue, indicating a need for further diversification.

### Vulnerability to cyclical trends and seasonal demand

The paver manufacturing industry is also vulnerable to cyclical trends and seasonal demand, as its growth is closely tied to the construction sector. Since construction and development activities in Nepal follow a seasonal pattern, with higher demand observed between March and June, the demand for pavers also fluctuates accordingly. This seasonality impacts sales volumes and revenue generation for paver manufacturers, making them susceptible to periods of lower demand during monsoon and winter months. Additionally, being a regionally focused industry, paver manufacturers face the risk of localized economic slowdowns, which could further affect their sales and profitability.

### Analytical Approach: Standalone

## Applicable Criteria:

[Corporate Credit Rating Methodology](#)

## About the Company:

Asian Concreto Private Limited was incorporated on September 28, 2016 which later converted into Asian Concreto Limited (ACL) on May 10, 2024. It has plant situated in Ramgram, Nawalparasi, Nepal for manufacturing wide range of landscaping products like concrete interlocking pavers, kerb stones, paving slabs, etc. with total installed plant capacity of 120,000 metric tons per annum as of mid-July 2024. Mr. Manish Roongta is the major shareholder of ACL holding ~55% of the total shareholding as of October 2024.

## Financial Indicators (Standalone)

| For the year ended* As on       | FY22    | FY23    | FY24    | H1FY25            |
|---------------------------------|---------|---------|---------|-------------------|
|                                 | Audited | Audited | Audited | Unaudited         |
| Total Operating Income (NPR Mn) | 352     | 422     | 737     | 250               |
| EBITDA Margin (%)               | 29.12   | 39.07   | 35.93   | 29.84             |
| Interest Coverage Ratio (x)     | 1.50    | 1.83    | 2.99    | 2.58              |
| Total Debt/ EBITDA (x)          | 7.71    | 4.86    | 2.83    | 5.18 <sup>1</sup> |
| Current Ratio (x)               | 1.08    | 1.23    | 1.68    | 1.78              |
| Overall Gearing Ratio (x)       | 4.38    | 3.57    | 2.25    | 1.81              |

\*Classification as per Infomerics Nepal standards

<sup>1</sup>Annualized

EBITDA: Earnings Before Interest, Depreciation, Amortization and Tax

## Annexure:1 Detail of Facilities:

| Name of Instruments/ Facilities                    | Type of Facilities       | Amount (NPR Mn) | Ratings   |
|--|--------------------------|-----------------|-----------|
| Fund Based Bank Facilities- Term Loan              | Long Term                | 623.45          | IRN BB    |
| Fund Based Bank Facilities- Short Term Loan        | Short Term               | 310.00          | IRN A4    |
| Non-Fund Based Bank Facilities- LC/BG <sup>1</sup> | Long Term/<br>Short Term | 40.30           | IRN BB/A4 |
| <b>Total Facilities</b>                            |                          | <b>973.75</b>   |           |

<sup>1</sup>Letter of Credit/Bank Guarantee

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# Infomerics Credit Rating Nepal Limited

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