

PRESS RELEASE

HIMDUNG & THOKAR CONSTRUCTION PRIVATE LIMITED

January 2026

Ratings

Instruments/ Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	204.31 (enhanced from 174.00)	IRN BB	Reaffirmed
Short Term Bank Facilities	143.00 (enhanced from 88.00)	IRN A4	Reaffirmed
Long Term/Short Term Bank Facilities	1,270.60 (reduced from 2,265.60)	IRN BB/ A4	Reaffirmed
Total	1,617.91		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB (Double B) to the long term bank facilities of NPR 204.31 Mn, IRN A4 (A Four) to the short term bank facilities of NPR 143.00 Mn and IRN BB (Double B) /A4 (A Four) to the long term/short term bank facilities of NPR 1,270.60 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to bank facilities of Himdung & Thokar Construction Private Limited (HTC) continue to derive strength from its established operational track record and its experienced promoters. The ratings also take note of improvement in HTC's Total Operating Income (TOI), although margins have been under pressure due to rising raw material and operational costs. Similarly, the leverage remains moderate, supported by comfortable debt-servicing coverage albeit sensitive to incremental borrowings. HTC's counterparty risk remains moderate with escalation clauses in major contracts.

Nonetheless, these rating strengths are constrained by HTC's concentrated order book position with near term revenue visibility, project execution risk, existence in a competitive industry, interest rate volatility risk and defect liability risk. Going forward, HTC's ability to sustain revenue growth, stabilize operating margins, secure new contracts and execute ongoing projects efficiently as well as recover contract proceeds on timely manner will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and established track record of operations

HTC is promoted by Mr. Bahadur Singh Lama (Tamang), Mr. Shivahari Ghimire and Er. Nirmal Prasad Sitaula with each having experience of three decades. Currently, HTC is led by Mr. Swornim Lama (Managing Director) who also has four years of experience in the field of construction. Mr. Lama is backed by well experienced top management personnel having more than two decades of experience in construction contracting business. HTC has completed over 115 projects since its inception and has been involved in national pride projects such as restoration of Mayadevi temple, Lumbini-Buddhist Circuit, Kathmandu-Bhaktapur road expansion projects etc. HTC has also been acknowledged with Gold Award, 2018 by FCAN¹ for the work performed in the field of National Construction Business.

Average financial profile

HTC's operating performance showed steady improvement in FY25, with total operating income (TOI) registering a y-o-y growth of ~6% to NPR 329 Mn, supported by progress in ongoing projects.

¹ Federation of Contractors' Association of Nepal

However, operating profitability moderated, as EBITDA declined to NPR 56 Mn in FY25 from NPR 67 Mn in FY24, with the margin compressing to 17.1% from 21.7%, indicating some pressure on operating efficiency despite higher revenue. Net profitability strengthened over the period, with PAT margin improving sharply to 3.27% in FY24 from 0.39% in FY23 and further to 3.89% in FY25, due to significant reduction in finance costs. Gross Cash Accruals (GCA) increased from NPR 32 Mn in FY24 to NPR 35 Mn in FY25. HTC's overall gearing improved significantly to 1.14x as of mid-July 2024 from 1.76x as of mid-July 2023, however, it deteriorated to 1.52x as of mid-July 2025, primarily due to accretion in total borrowings. Similarly, Total Outside Liabilities/Tangible Net worth (TOL/TNW) strengthened to 1.38x in FY24 from 2.04x in FY23, before increasing to 1.76x in FY25 owing to higher outside liabilities. Notwithstanding the increase in leverage, HTC's debt servicing indicators improved materially, with interest coverage ratio strengthening to 3.24x in FY25 from 1.59x in FY23, aided by lower finance costs, while DSCR improved to a comfortable 2.99x in FY25 from 1.99x in FY24.

Moderate counter party risk with escalation clauses in major contracts

HTC primarily operates as contractor for governmental projects related to highways, bridges, and buildings. Counter party risk remains moderate given the projects are from government departments and agencies, which have been making timely payments to the company in the past. Furthermore, price adjustment clauses included in the majority of the contracts protect HTC against adverse changes in the price of construction materials. This is crucial, especially considering the current global inflationary trend. Nevertheless, the coverage provided by the escalation clauses is capped, thus HTC still retains a portion of the raw material price volatility risk.

Key Rating Weaknesses

Concentrated order book position

As of mid-November 2025, HTC's unexecuted order book stood at ~NPR 1,596 Mn (HTC's share in JVs), which remains moderate, with an unexecuted order in hand of 4.85x of operating income in FY25 and provides near-term revenue visibility as most of the projects are expected to be completed within a year. However, the order book remains highly concentrated in road construction and bridge projects, accounting for ~54% and ~45% respectively, exposing the company to execution, funding, and regulatory risks inherent in these segments, including land acquisition issues, monsoon-related disruptions, and elongated payment cycles from government authorities. The limited diversification heightens sensitivity to segment-specific slowdowns and may lead to volatility in revenues and cash flows, while the competitive tender-based nature of these projects continues to exert pressure on operating margins. Therefore, HTC's ability to execute projects as scheduled, secure new projects, and diversify its segmental order book beyond the near term will remain key monitorable.

Project execution risk

HTC's business model has some inherent risk and the projects are susceptible to delays in procedural approvals, site clearances and other operational issues exposing the company to the risk of delay in project execution leading to delays in realization of revenues. Additionally, HTC's significant exposure to unexecuted orders of highways and bridges, which are prone to delays due to technical issues such as site clearance poses a significant risk to project execution.

Existence in a competitive industry with exposure to government regulation

The company receives the majority of its work from governmental agencies which are subject to a competitive bidding process. Further, the business also remains dependent on stability in government policies and fiscal policies as well as government capital expenditure. Moreover, recent regulation of Government limits contractors to participate in a maximum of five contracts at a time. Nevertheless, the recent Government initiative of prohibiting foreign companies to participate in a contract up to NPR 5,000 Mn remains positive to the domestic contractors. Thus, HTC's ability to obtain new projects while maintaining profit margins remains crucial.

Interest rate and defect liability risk

The Interest rates on deposits and borrowing remain a significant factor in the Nepalese economy. In line with NRB's directives, the BFI²s typically charge an interest rate on loans by adding a premium to the base rates which is revised on a quarterly basis. The interest rates charged by BFIs have been historically volatile over the past 2-3 years and thus borrowing from banks and financial institutions exposes HTC to the risk of interest rate volatility. Further, HTC is susceptible to financial losses arising out of defects identified by the client during the defect liability period as per the terms of the construction contracts which is 1 year for majority of the projects and 5 years for design and build projects.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past rating rationale:

[Himdung & Thokar Construction Private Limited: Bank Facilities Rating Assigned](#)

About the Company:

Himdung & Thokar Construction Pvt Limited (HTC) was registered in Department of Cottage and Small industries on August 29,1987 as "D" class construction company and upgraded to "A" class construction company on October 31, 2016. The registered office of the company is located at Thamel, Kathmandu. The company is involved in construction of highways, bridges/irrigation and railroads. In addition to working on projects individually, HTC also forms joint ventures (JVs) in order to meet the requirements for participating in various construction projects.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	520	369	227	309	329
EBITDA Margin (%)	17.05	17.78	27.59	21.69	17.13
Interest Coverage Ratio (x)	1.97	1.71	1.59	2.10	3.24
Current Ratio (x)	0.65	0.94	0.67	1.30	1.46
Total Debt/GCA (years)	7.85	10.26	13.01	6.44	8.40
Overall Gearing Ratio (x)	2.68	1.62	1.76	1.14	1.52
TOL/TNW (x)	3.36	1.81	2.04	1.38	1.76
Total debt/EBITDA (x)	3.51	4.15	4.77	3.05	5.17

* 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:

Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Long Term Bank Facilities- Term Loan, PWCL*	Long Term	154.31	IRN BB
Long Term Bank Facilities- Term Loan (Proposed)	Long Term	50.00	IRN BB
Short Term Bank Facilities- STL,TR,CC*	Short Term	143.00	IRN A4
Long Term/Short Term Bank Facilities-LC, PG/APG, BB, CSG*	Long Term/ Short Term	1,270.60	IRN BB/A4
Total Facilities		1,617.91	

² Bank and Financial Institutions



Infomerics Credit Rating Nepal Limited

**PWCL=Permanent Working Capital Loan, STL=Short Term Loan, TR=Trust Receipt Loan, CC=Cash Credit, LC=Letter of Credit, PG/APG=Performance Bank Guarantee/Advance Payment Bank Guarantee, BB=Bind Bond, CSG=Credit Supply Guarantee*

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About Infomerics Credit Rating Nepal Limited:

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