

PRESS RELEASE

MAINAWATI STEEL INDUSTRIES LIMITED

January 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term/Short Term Bank Facilities	6,525.00	IRN BB+/A4+	Downgrade from IRN BBB-/A3
Total	6,525.00		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has revised the rating assigned to the long-term /short term bank facilities of NPR 6,525.00 to IRN BB+/A4+ (Double B Plus/A Four Plus) from IRN BBB-/A3 (Triple B Minus/A Three).

Detailed Rationale

The revision of the ratings assigned to the bank facilities of Mainawati Steel Industries Limited (MSIL) primarily factors in the company's weakening financial performance, marked by a y-o-y decline of ~13% in total operating income to NPR 2,986 Mn in FY25, primarily on account of the completion orders in hand, decline in new orders, and an adverse demand environment. Furthermore, heightened competition in the domestic steel industry and limited pricing flexibility have restricted the company's ability to fully pass on elevated input costs, leading to moderation in operating profitability. The ratings also remain constrained by MSIL's subdued debt coverage indicators. The liquidity profile continues to remain stretched, reflected in high working capital intensity, which increased to ~63% in FY25 and continues to strain overall financial flexibility. Additionally, the inherently cyclical nature of the steel industry exposes the company to volatility in earnings. The ratings also take into account the inherent regulatory risks, as any reduction in import duties by the Government of Nepal on raw materials or finished steel products could have a bearing on the overall operational and financial performance. Moreover, the company remains exposed to foreign exchange risk, given the significant dependence on US dollar-denominated imports against revenues largely denominated in domestic currency.

Nonetheless, the ratings continue to factor in MSIL's established presence and long-standing track record in the steel industry, supported by experienced promoters and a professionally managed team. The company's diversified product portfolio, strong brand recognition, and applications across multiple end-user industries provide competitive advantages. Its wide geographic reach within Nepal, along with proximity to the Indian border, supports cost efficiencies in logistics. The ratings also take into account the supportive policy environment for production-based industries and a moderate demand outlook for steel products. Going forward, MSIL's ability to improve its revenue profile along with profitability, and maintain comfortable capitalization/coverage indicators with prudential working capital management would remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Long track record with experienced promoters and management team

MSIL boasts an operational track record spanning approximately three decades, specializing in the manufacturing of diverse steel products. The company derives its strength from its affiliation with the Vishal Group, which has a strong presence in Nepal across multiple industries such as steel, cement, polymers, trading, hospitality, and insurance. The directors of MSIL possess extensive experience of nearly five decades in the industry as a whole. Mr. Trilok Chanda Agrawal, the

Chairman, and Mr. Tulsi Ram Agrawal, a director, bring their expertise in trade and industry. Both directors also hold the position of Vice Chairman in the Vishal Group. Additionally, the board is supported by a team of technically qualified and experienced professionals to efficiently operate the regular business.

Diversified products and robust market presence

MSIL boasts a diversified product portfolio, offering a wide range of iron and steel products such as MS Black Pipe, MS Sheet, Tubular/Telescopic Poles, GI Pipe, structures, angles, shutter profiles, coils, sheets, and various wire products. These items are designed to meet the diverse needs of multiple industries, reducing dependency on any single sector and broadening the company's market reach. Additionally, MSIL's strong brand recognition under the "MSI" name across Nepal ensures consistent demand and product differentiation, mitigating competitive price volatility. This strategic approach has secured a significant market presence and healthy turnover, primarily through direct sales channels nationwide.

Proximity to Indian border

The plant site is close to Indo-Nepal border which has led to saving in freight cost as the majority of raw materials requirements are imported. Further, MSIL has also been exporting its products, though minimum and factory's proximity to Indian border has eased the export as well.

Key Rating Weaknesses

Declining financial performance

In FY25, MSIL's Total Operating Income (TOI) declined ~13% to NPR 2,986 Mn from FY24, largely due to completion of the orders in hand coupled with decline in new orders, and a challenging market environment. Intense competition and limited pricing flexibility constrained the company's ability to pass on input cost pressures, leading to contraction in EBITDA and PAT margins to 3.46% and 0.55% in FY25 from 6.65% and 1.64% in FY24, respectively. Interest coverage ratio declined to 1.02x from 1.83x amid lower operating profitability. Overall gearing ratio remained moderate at 1.43x as of mid-July 2025 (1.42x as of mid-July 2024), while TOL/TNW stood at 1.57x in FY25 vis-à-vis 1.72x in FY24. Debt service coverage ratio (DSCR) moderated to 1.15x from 1.37x, reflecting continued ability to meet debt obligations despite pressure on coverage metrics.

Working capital intensive nature of business

MSIL operates in a highly competitive steel industry with numerous players, leading to extended credit terms provided to customers. Additionally, as the company is import-oriented, it has to maintain inventories and make payments through letter of credit at sight, resulting in lower creditor days. The liquidity profile continues to remain stretched, reflected in high working capital intensity, which increased to ~63% in FY25 (~50% in FY24) and continues to strain overall financial flexibility. In FY25, MSIL's operating cycle reached to 224 days from 217 days in FY24. This prolonged operating cycle was primarily due to a high inventory holding period and average collection period of approximately 150 and 93 days respectively. The competitive nature of industry has resulted high operating cycle leading to high reliance of the company on the bank finance for working capital needs.

Volatility in raw material price and exposure to regulatory risk

The major raw materials for MSIL are HR/CR/GP Coils, zinc ingots, rods, angle etc., which are mostly imported from India. The prices for these raw materials are market-linked and set periodically, exposing the company to volatility in raw material prices, which directly impacts its profitability margins. Normally, the cost of raw materials contributes to ~70-75% of the company's TOI, resulting in a significant impact on profitability with any changes in price. MSIL is also partially constrained by regulatory risk arising from policy changes in both Nepal and India.

Exposure to foreign exchange fluctuation risk and intense competition present in the steel industry

MSIL is exposed to foreign exchange fluctuation risks due to a currency mismatch, where over 80% of its raw materials are imported in USD while the finished goods are realized in the local currency. MSIL normally uses Letter of Credit, which exposes the company to forex risk. 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 of the industry due to the entry of new players, as well as the substantial capacity expansion by the existing players, has shrunk the net realization price of iron and steel products, resulting in lower operating revenue 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:

[Bank Loan Rating Methodology](#)

Past Rating Rationale:

[Mainawati Steel Industries Limited: Bank Facilities Rating Reaffirmed](#)

About the Company:

Mainawati Steel Industries Private Limited was incorporated in May 1995 and, in July 2023, converted to Mainawati Steel Industries Limited (MSIL). It has a manufacturing plant located in Duhabi of Sunsari District in Nepal, specializing in the production of various pole, steel and sheet products. The company has a total installed capacity of 113,900 MTPA. MSIL is a part of the Vishal group, where Mr. Trilok Chand Agrawal is the chairman holding ~17% stake in the company.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	4,298	6,035	3,489	2,986
EBITDA Margin (%)	12.19	9.64	6.65	3.46
Interest Coverage Ratio (x)	4.62	3.30	1.83	1.02
Current Ratio (x)	2.29	1.86	1.38	1.40
Overall Gearing Ratio (x)	0.75	0.80	1.42	1.43
TOL/TNW (x)	0.84	1.02	1.72	1.57
Working Capital Intensity (%)	51.67	32.30	49.68	62.65

*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	253.50	IRN BB+
Fund Based Bank Facilities- Permanent Working Capital Loan	Long Term	958.50	IRN BB+
Fund Based Bank Facilities-Working Capital Loan	Short Term	3,097.00	IRN A4+
Non-Fund Based Bank Facilities- LC/BG [#]	Short Term	5,916.50	IRN A4+
Total Facilities		6,525.00*	

#LC= Letter of Credit; BG= Bank Guarantee

**The total combined limits including term loan shall not exceed NPR 6,525.00 Mn at any time.*

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About Infomerics Credit Rating Nepal Limited:

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