PRESS RELEASE

PRIME STEEL PRIVATE LIMITED

January 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	8,245.30 (reduced from 8,800.00)	IRN B+	Reaffirmed
Short Term Bank Facilities	3,200.00	IRN A4	Reaffirmed
Total	**11,445.30**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN B+ (Single B Plus) to the long-term bank facilities of NPR 8,245.30 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 3,200.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to bank facilities of Prime Steel Private Limited (PSPL) continue to derive strength from its experienced promoter group, which includes the Hulas Group and KL Dugar Group, along with a proficient management team. PSPL is likely to benefit from government incentives for production based industries and demand for steel from Nepal's infrastructure projects. Nonetheless, these rating strengths are constrained by the project execution risk associated with the company's steel plant with Ladle Refining Furnace Technology, given its early stage of construction as reflected by a financial progress of ~15% as of mid-December 2025. While the projects' debt component has been tied up, promoters' equity infusion remains modest at ~28% as of mid-July 2025. Furthermore, PSPL faces regulatory risks, foreign exchange fluctuation risks, given its potential exposure to international markets and intense competition in the steel manufacturing industry. Going forward, the company's ability to execute the project within the planned timeline and budget will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong promoter group with experienced directors

PSPL is promoted by key representatives of the Hulas Group and the KL Dugar Group and is led by Mr. Sharad Golchha, Managing Director, and Mr. Saurabh Dugar, Director. Both promoters bring extensive experience through their involvement in various group companies. Mr. Golchha holds leadership positions in prominent entities such as Shaurya Cement Industries Limited [IRN BBB-(Is); IRN BBB-/A3], Hulas Power Private Limited, and High Ground Adventure Private Limited. Mr. Dugar is actively associated with the Dugar Group, Gurans Life Insurance, and other business ventures, and has been conferred the Prabal Janasewashri award by the Honorable President, Bidhya Devi Bhandari. In addition, promoter shareholder Mr. Naresh Dugar has been honored with the Prabal Gorkha Dakshin Bahu by former King Gyanendra Bir Bikram Shah Dev. Furthermore, PSPL will be the first company to adopt Ladle Refining Furnace (LRF) technology in its operations.

Government support for production based industry and demand outlook of steels product

Nepal is 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 1000 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

Project implementation risk

PSPL is constructing a steel manufacturing project with a planned capacity of 650,000 MTPA, to be executed in two phases. Phase I entails the establishment of an HR strip manufacturing facility with a proposed capacity of 350,000 MTPA. The project is currently at an early stage of execution, with ~15% financial progress achieved as of mid-December 2025. The total capital outlay for Phase I is estimated at NPR 11,000 Mn, to be financed through a debt equity mix of 75:25. The debt portion has been tied up under a consortium lending arrangement. As of mid-July 2025, the promoters have infused ~28% of the total equity requirement for Phase I, including paid-up capital and share advances. The commercial operations date (COD) for the project is scheduled for November 2027. Therefore, timely execution of the project without any cost overruns and timely infusion of the remaining promoters' equity will remain a key monitorable.

Intense competition present in steel industry

The iron and steel industry in Nepal 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 of iron & steel products is considered cyclical and with 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 shrined the net realization price of the iron and steel products resulting in lower operating revenue and profits. The producers of steel construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

Analytical Approach: Standalone

Applicable Criteria:

Corporate Credit Rating Methodology

Past Rating Rationale:

Prime Steel Private Limited: Bank Facilities Rating Assigned

About the Company:

Prime Steel Private Limited (PSPL) is an under construction greenfield steel manufacturing unit with the total capacity of 650,000 MTPA. It was incorporated on February 06, 2022. The proposed plant is situated in Pokhariya-09, Parsa. The construction will be completed in two phases. In Phase-I, PSPL will construct a plant to manufacture HR Strip with total capacity of 350,000 MTPA at the estimated capital outlay of NPR 11,000 Mn. PSPL is promoted by the KL Dugar and Hulas Group with most of the shares held by Mr. Saurav Dugar (~33%) and Mr. Chandra Kumar Golchha (~16%) as of mid-July 2025.

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	8,245.30	IRN B+
Fund Based Bank Facilities- Bridge Gap Loan	Long Term	(2,000.00)*	IRN B+
Fund Based Bank Facilities- Working capital loan (Proposed)	Short Term	3,200.00	IRN A4

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Non Fund Based Bank Facilities – Letter of Credit	Short Term	(7,000.00)*	IRN A4
Total Facilities		**11,445.30**	

Within the limit of term loan

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About Infomerics Credit Rating Nepal Limited:
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