

PRESS RELEASE

LITMUS INDUSTRIES LIMITED

February 2026

Ratings

| Instrument/Facilities | Amount (NPR Mn) | Ratings | Rating Action |
|----------------------------|--------------------------------------|---------|---------------|
| Long Term Bank Facilities | 4,270.84 (enhanced from 1,054.78) | IRN BB+ | Reaffirmed |
| Short Term Bank Facilities | 8,400.50 (enhanced from 4,816.03) | IRN A4+ | Reaffirmed |
| Total | 8,670.03* | | |

* Total fund based and non-fund-based loan can't exceed NPR 8,670.03 Mn.

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB+ (Double B Plus) to the long-term bank facilities of NPR 4,270.84 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 8,400.50 Mn.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Litmus Industries Limited (LIL) continues to draw comfort from its strong association with the Ramesh Group, which benefits from the extensive presence of its promoters across multiple business sectors in Nepal. This association supports LIL's market position, brand recall, and growth prospects, aided by the promoters' established relationships with key stakeholders. Additionally, LIL's long operating track record of over four decades in the cable manufacturing industry exhibits its proven execution capabilities. The company's strategically located manufacturing facilities facilitate efficient procurement and distribution, supporting its pan-Nepal presence. The ratings also factor in LIL's diversified product portfolio across various cable segments, which reduces dependence on any single end-use industry and enables the company to cater to a broad customer base, thereby imparting stability to its revenue profile.

Nonetheless, the ratings remain constrained by the moderation in the company's revenue and operating profitability in FY25, primarily on account of lower tender-based sales. The ratings also factor in LIL's modest debt coverage indicators, as reflected by a below-unity DSCR in FY25. Further, the ratings remain constrained by the sharp increase in working capital intensity to ~87% in FY25 (from ~57% in FY24), mainly driven by elevated inventory levels. The ratings also take note of the company's significant dependence on imported raw materials, which exposes it to volatility in commodity prices and foreign exchange fluctuations. In addition, the ratings factor in execution and cost-overrun risks associated with the ongoing expansion project. The company also operates in a highly competitive cable manufacturing industry, marked by pricing pressures and margin constraints. Going forward, LIL's ability to manage raw material cost volatility, scale up operations efficiently, sustain profitability, and maintain prudent debt metrics, along with timely completion of the expansion project, will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Parentage of Ramesh Group with experienced promoter and management team

LIL is a core entity of the Ramesh Group, deriving strength from the established presence of its promoters across diversified sectors in Nepal, including manufacturing, services, imports, and trading. The company additionally benefits from the backing of M/S Avasar Equity Diversified Fund,

a Private Equity/Venture Capital Fund Manager licensed by the Securities Board of Nepal (SEBON). The LIL board comprises 6 members, headed by Chairman Mr. Sushil Gupta, who possesses over 14 years of managerial experience across sectors such as hydropower and mineral exploration and is also the promoter of multiple publicly listed companies. Further, the promoters are supported by a competent and experienced professional team overseeing the routine operations of LIL.

Long track record of operation with strategic location

LIL benefits from an established operating track record of over four decades in the industry, which lends comfort with respect to business stability and incremental performance. Further, the company's manufacturing facility is strategically located at the Butwal Industrial Estate, ~26 km from the Indo-Nepal border at the Sunauli dry-port, enabling efficient procurement of raw materials and resulting in savings in freight costs. The presence within an industrial estate also provides access to supporting infrastructure, relatively lower rental costs and eligibility for government-provided incentives.

Diverse product portfolio supported by established distribution network

LIL has a diversified product portfolio comprising ACSR conductors and ABC cables catering to overhead distribution and high-voltage power transmission, house wiring cables and power cables for residential, commercial and industrial applications, along with enamel copper wires used in motors, transformers and other electrical equipment, and paper-insulated strips for transformer winding. The diversity in product offerings mitigates dependence on any single end-use segment and enables LIL to service a wide customer base. Further, the company benefits from an established nationwide distribution network under its brands "Litmus Cables" and "Lotus Wires," with sales largely driven through registered dealers across major cities in Nepal, supplemented by tender-based supplies to NEA and project sales executed through joint ventures.

Key Rating Weaknesses

Project implementation risk

LIL, one of the leading electric cable manufacturers in Nepal with capabilities to produce conductors for 400 kV transmission lines, is undertaking a capacity expansion project involving a total investment of around NPR 4 Bn (including IDC), to be implemented in three packages. As of mid-January 2026, Package A has been completed and commercial production commenced from August 2025, while Package B is under execution with ~39% physical progress achieved as of January 18, 2026 and is expected to be completed by the last quarter of FY26. Package C is proposed to be implemented subsequent to the completion of Package B, with management targeting completion by end of FY27. Timely execution of the remaining phases within the envisaged cost and schedule, along with stabilization of operations post completion, remains a key rating sensitivity.

Moderation in revenues & profitability in FY25

The company witnessed a contraction in revenues in FY25, with TOI declining by ~12% to NPR 3,028 Mn, primarily due to a decline in tender-based revenues. The lower operating scale, coupled with reduced tender execution, led to moderation in operating profitability, with EBITDA margin declining to 6.76% in FY25 from 9.61% in FY24. Nonetheless, the operating margin continues to remain moderate when viewed against the company's long-term performance. PAT margin also witnessed a marginal moderation to 2.00% in FY25 from 2.20% in FY24. Despite the decline in profitability, the company continued to generate positive cash accruals, with Gross Cash Accrual of NPR 121 Mn in FY25.

Leveraged capital structure with modest coverage indicators.

The company's capital structure remained leveraged in FY25, with overall gearing increasing to 2.05x as on end of FY25 from 1.88x as on end of FY24, primarily driven by higher long-term borrowings towards the ongoing Litmus 2.0 project and increased reliance on working capital facilities, despite equity infusion in the form of preference share capital by the promoters. Consequently, TOL/TNW

also increased to 2.11x in FY25 from 1.98x in FY24. The moderation in operating profitability during the year adversely impacted debt coverage indicators, with interest coverage declining to 1.21x in FY25 from 1.30x in FY24, while DSCR weakened to 0.76x over the same period.

Exposure to demand cyclicity and forex/regulatory risks

The demand for LIL's product portfolio is closely linked to the pace of infrastructure and development activities in the country and is therefore cyclical in nature. Further, a sizeable portion of revenues is generated through tender-based orders, exposing the company to demand volatility and uncertainties associated with tender awards, which has resulted in variability in profitability and cash flows, as evident in FY25. Additionally, raw material prices, which are largely imported and denominated in US dollars, remain susceptible to fluctuations in global commodity prices and exchange rate movements, with supply risks heightened due to significant dependence on overseas suppliers. The mismatch between US dollar-denominated raw material procurement and Nepalese rupee-denominated revenue realization exposes LIL to forex risk, while the company also remains vulnerable to adverse changes in import tariffs and excise duties, given its operations in a duty-protected industry.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Litmus Industries Limited: Bank Facilities Rating Revised and removed from Issuer not Cooperating Category](#)

About the Company:

Lumbini Vidyut Udyog Private Limited (LVPL) is a private limited company incorporated on July 10, 1978, for manufacturing wires and cables which later changed its name to Litmus Industries Limited (LIL) on July 14, 2022. It has a plant in Butwal, Rupandehi, Nepal. The total installed capacity (per annum) for LIL's products includes 11,000 KMs for ABC Cable, 67,750 KMs for ACSR Conductor, 2,000 KMs for Concentric Cable, 2,539,570 coils for House Wiring, 13,500 MT for Enamel Wire/SEC, 3,000 MT for Paper Insulated Strip, 300 KMs for Low Voltage Power Cable and 24,000 MT for Aluminium/Alloy Rods. Mr. Sushil Gupta (39.86%), Mr. Rohit Gupta (39.86%) and M/S Avasar Equity Diversified Fund (20.00%) are three top shareholders of the company.

Financial Indicators (Standalone)

| For the year ended* As on | FY22 | FY23 | FY24 | FY25 |
|---------------------------------|---------|---------|---------|-----------|
| | Audited | Audited | Audited | Unaudited |
| Total Operating Income (NPR Mn) | 2,383 | 3,855 | 3,445 | 3,028 |
| EBITDA Margin (%) | 7.57 | 7.78 | 9.61 | 6.79 |
| Interest Coverage Ratio (x) | 1.47 | 1.20 | 1.30 | 1.21 |
| Current Ratio (x) | 1.18 | 1.31 | 2.16 | 2.01 |
| Overall Gearing Ratio (x) | 5.00 | 4.91 | 1.88 | 2.05 |
| TOL/TNW (x) | 5.42 | 5.12 | 1.98 | 2.11 |

*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) | Rating |
|---------------------------------------|--------------------|-----------------|---------|
| Fund Based Bank Facilities- Term Loan | Long Term | 3,505.72 | IRN BB+ |

| Name of Instruments/ Facilities | Type of Facilities | Amount (NPR Mn) | Rating |
|---|--------------------|-----------------------------|---------|
| Fund Based Bank Facilities- Permanent Working Capital | Long Term | 765.12 | IRN BB+ |
| Fund Based Bank Facilities-Working Capital Loan | Short Term | 2,106.50 | IRN A4+ |
| Non-Fund Based Bank Facilities-LC/BG ¹ | Short Term | 6,294.00 | IRN A4+ |
| Total Facilities | | 8,670.03[#] | |

¹LC= Letter of Credit; BG= Bank Guarantee

[#]Total limit of fund based and non-fund-based loan shall not exceed NPR 8,670.03 Mn.

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About Infomerics Credit Rating Nepal Limited:

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