

PRESS RELEASE

VIJAYSHRI STEEL PRIVATE LIMITED

February 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	1,672.38 (reduced from 1,802.55)	IRN BB	Upgraded from IRN BB-
Short Term Bank Facilities	3,370.00 (enhanced from 3,300.00)	IRN A4	Reaffirmed
Total	5,042.38		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has revised the rating assigned to the long-term bank facilities of NPR 1,672.38 Mn to IRN BB (Double B) from IRN BB- (Double B minus) and reaffirmed the rating of IRN A4 (A Four) to the short-term bank facilities of NPR 3,370.00 Mn.

Detailed Rationale

The revision of the ratings assigned to the bank facilities of Vijayshri Steel Private Limited (VSPL) primarily factor in the improvement in operating profitability in FY25, marked by significant expansion in EBITDA margin. The ratings continue to derive strength from the promoters' long operational track record in the Nepalese industrial sector, particularly in the cement industry, along with their well-established distribution and sales network coupled with company's backward integration into billet manufacturing, which has enhanced its operational efficiency by ensuring a steady supply of raw materials. The company's locational advantage, being situated near the Indo-Nepal border and the national east-west highway, provides logistical benefits for both raw material procurement and product distribution across Nepal.

Nonetheless, the ratings remain constrained by VSPL's leveraged capital structure marked by high overall gearing ratio despite slight moderation in FY25 and moderate debt coverage indicators. The ratings also remain constrained by VSPL's stretched liquidity profile marked by elevated inventory holding and an elongated operating cycle. 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 and its exposure to foreign exchange risk. Going forward, the ability of the company to sustain its profitability, improve its capital structure and manage its working capital efficiently will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team

VSPL derives strong parentage from the Vijaya Group of Companies, a reputed conglomerate with over three decades of presence in Nepal's industrial landscape, with diversified interests across cement, batteries, and bitumen trading. The Group's decade-long experience in cement manufacturing, complemented by an extensive distribution network of more than 400 dealers nationwide, provides significant strategic support to VSPL's market penetration and growth initiatives. The Board is led by Mr. Vikas Kedia, who brings over 15 years of industry experience. The company also benefits from experienced promoters and a competent, well-qualified management team, which collectively enhances operational resilience and execution capabilities.

Backward integration and strategic plant location

VSPL has its own billet manufacturing plant which has a total production capacity of 132,000 MTPA

as of mid-July 2025. By integrating billet production into its operations, VSPL enhances cost efficiency and minimizes reliance on external suppliers for essential semi-finished steel products. This strategic move also bolsters the company's competitive advantage, positioning it more effectively to manage market fluctuations and supply chain disruptions. Moreover, the company also benefits from a strategic location, with its manufacturing facility in Shivaraj, Kapilvastu, positioned ~15 km from the Barhani border and ~80 km from the Sunauli border, ensuring cost-effective raw material procurement. Additionally, its proximity to Nepal's East-West Highway facilitates seamless product distribution, enabling VSPL to capitalize on market opportunities in the central and western regions, where domestic steel manufacturing capacity remains limited.

Improvement in operating profitability

VSPL reported a marginal decline of ~4% in Total Operating Income (TOI) in FY25 to NPR 5,404 Mn, on account of market competition and pricing pressure. Nevertheless, the company demonstrated improved operating efficiency, with EBITDA margin strengthening significantly to ~9% in FY25 from ~5% in FY24 supported by lower raw material costs of key inputs. In H1FY26, VSPL maintained a stable operating scale with TOI of NPR 3,619 Mn, broadly comparable to annualized FY25 levels, while sustaining healthy profitability (EBITDA margin of ~8%). Similarly, PAT increased to NPR 128 Mn in FY25 from NPR 109 Mn in FY24, with PAT margin improving to 2.37% from 1.94%, driven by higher operating profitability. Gross Cash Accruals (GCA) increased materially to NPR 292 Mn in FY25 (NPR 169 Mn in FY24). In H1FY26, the company reported PAT of NPR 116 Mn and GCA of NPR 175 Mn, indicating continued earnings stability.

Key Rating Weaknesses

Leveraged capital structure

VSPL's capital structure remains leveraged, with overall gearing ratio of 3.19x as of mid-July 2025 and 3.01x as of mid-January 2026, though it eased slightly from 3.54x in FY24, supported by accretion to tangible net worth. Total outside liabilities to net worth (TOL/TNW) also improved to 3.38x in FY25 from 3.77x in FY24, reflecting a gradual reduction in leverage risk. Debt protection metrics strengthened, with interest coverage ratio rising to 2.27x and DSCR to 1.22x in FY25, aided by a significant increase in EBITDA and GCA.

Working capital intensive nature of business

VSPL's working capital utilization remained high, averaging over 80% as of mid-January 2026, indicating significant reliance on external borrowings for funding working capital requirements. The operations of VSPL remains working capital intensive in nature marked by an elongated operating cycle of 161 days in FY25, increased from 120 days in FY24, driven by elevated inventory and receivables. Average inventory days increased to 108 days in FY25 from 78 days in FY24, reflecting higher stock levels. VSPL generally maintains higher inventory to ensure availability of multiple sizes and specifications of product, enabling timely order execution and avoiding stock-outs. The company also builds inventory strategically in anticipation of raw material price increases; with borrowing costs relatively lower than inflation, holding higher inventory supports margin protection. Similarly, average collection period extended to 65 days in FY25 from 54 days in FY24, indicating a moderate slowdown in receivable recovery. Creditor days remained largely stable at 12 days in FY25 (11 days in FY24), suggesting limited reliance on supplier financing.

Exposure to regulatory changes and import tariff risks

VSPL remains exposed to regulatory risks, given its reliance on import tariff protection for sustaining profitability and financial stability. The company benefits from high import duties imposed by the Government of Nepal on finished steel products such as TMT bars and billets, which provide a competitive advantage to domestic manufacturers. Any reduction or removal of these import barriers could significantly impact VSPL's revenue, profitability, and debt coverage indicators by intensifying competition from cheaper imports. The company's ability to navigate potential regulatory changes

and maintain its cost competitiveness will be a key monitorable from a credit perspective.

Cyclicality, forex, and regulatory risks

VSPL remains exposed to the inherent cyclicality of the steel and construction industries, which can lead to volatility in profitability and cash flows, further exacerbated by the highly fragmented nature of the industry. Steel prices are susceptible to fluctuations in global markets and movements in the US dollar exchange rate, given the company's reliance on dollar-denominated raw material imports while generating revenue in domestic currency, exposing it to forex risks. Additionally, frequent regulatory changes in import duties and excise structures pose a risk to profitability. The GoN, through the amendment in the Finance Act 2021, reduced customs duty on sponge iron (used for billet production) from 5% to 0% while imposing an excise duty of NPR 2.5 per kg on imported billets, incentivizing backward integration among steel players like VSPL. However, budgetary provisions for FY25 have partially reversed this advantage by increasing customs duty on sponge iron and reducing excise duty on billets. While integrated steel manufacturers are expected to retain some cost advantages, the company's ability to cope up with the frequent regulatory changes remain crucial.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[VijayShri Steel Private Limited: Bank Facilities Rating Assigned](#)

About the Company:

Incorporated in February 2017, Vijayshri Steel Private Limited (VSPL), operates a manufacturing plant in Shivraj-Birpur, Kapilvastu which manufactures billets and TMT with an installed capacity of ~132,000 MTPA and ~124,000 MTPA respectively. The company benefits from vertical integration following the commissioning of its Continuous Casting Machine Plant in February 2023, which has enhanced cost efficiencies by ensuring in-house billet production. VSPL sources key raw materials; sponge iron and pig iron from India, while scrap is largely procured domestically. M/S Shakti Investment Private Limited holds the major shareholding (20%) of VSPL. Mr. Vikas Kedia, Chairman of the company, holds 17% of the paid-up capital while the rest is held by multiple individual/institutional shareholders.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	H1FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	3,557	5,610	5,404	3,619
EBITDA Margin (%)	5.42	4.63	9.43	8.06
Interest Coverage Ratio (x)	1.33	2.44	2.27	2.41
Current Ratio (x)	0.83	0.90	1.29	1.29
Total Debt/EBITDA (x)	16.22	13.70	7.09	12.86
Overall Gearing Ratio (x)	3.74	3.54	3.19	3.01
TOL/TNW (x)	3.97	3.77	3.38	3.22

*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:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities-Term Loan	Term Loan	1,672.38	IRN BB
Fund Based Bank Facilities-Trust Receipt Loan/Overdraft Loan	Short Term	2,520.00	IRN A4
Non-Fund Based Bank Facilities- Letter of Credit	Short Term	850.00	IRN A4
Total Facilities		5,042.38	

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About Infomerics Credit Rating Nepal Limited:

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