

PRESS RELEASE

K.S.K. CONSTRUCTION COMPANY PRIVATE LIMITED

March 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	46.69 (enhanced from 9.80)	IRN BB-	Upgraded from IRN B+ and removed from Issuer not Cooperating category
Short Term Bank Facilities	1,754.70 (reduced from 1,990.20)	IRN A4	Reaffirmed and removed from Issuer not Cooperating category
Total	1,801.39		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating assigned to the long term bank facilities of NPR 46.69 Mn to IRN BB- (Double B Minus) from IRN B+ 'INC' (Single B Plus, Issuer not cooperating) and reaffirmed IRN A4 to the short term bank facilities of NPR 1,754.70 Mn. Also, the ratings have been removed from Issuer not cooperating category.

Detailed Rationale

The revision of ratings assigned to bank facilities of K.S.K Construction Company Private Limited (KSK) takes into account satisfactory operational performance of KSK as characterized by stable total operating income (TOI) over past couple of years (~NPR 249 Mn in FY25 vis-à-vis ~NPR 238 Mn in FY24 and ~NPR 249 Mn in FY23) with increasing EBITDA margins (~6.88% in FY24 and ~7.62% in FY25 from ~4.97% in FY23). The combination of increased TOI and EBITDA margins coupled with lowered interest expenses on backdrop of excess liquidity have resulted in stable operational metrics. Similarly, the ratings continue to derive strength from its experienced promoters and management team in the construction field with long track record of operations. The ratings also factor in the moderate capital structure and debt service coverage indicators and moderate counter party risk with escalation clauses in major contracts.

These rating strengths are however constrained by moderate albeit concentrated order book position (Order in hand stood at ~2.8x the TOI of FY25 as of Mid-February 2026 with significant concentration i.e. ~91% of total order in hand belonging to road segment) with mid-term revenue visibility. The rating also remains constrained due to working capital intensive nature of operations (Working capital intensity of ~40% in FY25 vis-à-vis ~53% in FY24) owing to higher collection period from customers compared to a shorter payment period, leading to a buildup of debtor balance against quick repayment of payables, thereby necessitating a higher working capital requirement, as evidenced by near complete utilization of short-term loan limits (Average utilization of ~91.40% of sanction limit of working capital during past 12 months ending January 2026), and existence in a competitive construction industry. Furthermore, the ratings also note KSK's exposure to project execution risk, interest rate volatility risk and defect liability risk.

Going forward, the ability of company to successfully execute projects in hand and realize the contract proceeds in timely manner while improving its scale of operations and profitability margins will be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and long track record of operations

KSK is led by Chairman Mr. Khadak Bahadur Khatri who has over two decades of experience in the construction sector. KSK has a long track record in executing diverse projects, including roads, bridges, irrigation, and buildings, both independently and through joint ventures. As an "A" class construction company, KSK caters to governmental projects, leveraging its extensive experience to qualify for governmental tenders.

Stable financial performance

KSK's Total Operating Income (TOI) has remained stable over the past three fiscal years, standing at ~NPR 249 Mn in FY23, ~NPR 238 Mn in FY24, and ~NPR 249 Mn in FY25, reflecting a consistent revenue profile. Profitability has improved steadily, with EBITDA margins rising to ~6.88% in FY24 and ~7.62% in FY25 from ~4.97% in FY23. Supported by improved operating margins and lower interest expenses amid excess liquidity in Nepalese economy, PAT margin increased to ~2.34% in FY25 from ~1.80% in FY24 and ~1.27% in FY23. Gross Cash Accruals (GCA) also improved to ~NPR 12 Mn in FY25 from ~NPR 9 Mn in FY24 and ~NPR 7 Mn in FY23, driven by higher profitability. The company's ability to scale operations through new contract wins remains a key rating monitorable.

Moderate capital structure and debt service coverage indicators

The overall gearing ratio of KSK remains moderate at 0.82x in FY24 and 0.86x in FY25. The interest coverage ratio of KSK has also improved and is comfortable to 3.64x in FY25 vis-à-vis 2.42x in FY24. Similarly, Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at a moderate at 1.25x in FY25 albeit deteriorated slightly from 0.93x in FY24. Likewise, The Total Debt/GCA ratio has improved to 6.31x in FY25 from 7.62x in FY24 and 7.78x in FY23.

Moderate counter party risk with escalation clauses in major contracts

KSK primarily operates as contractor for governmental projects related to roads, bridges, and hydropower. 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 contacts protects KSK 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 KSK still retains a portion of the raw material price volatility risk.

Key Rating Weaknesses

Concentrated albeit moderate order book position

As of Mid-February 2026, the unexecuted orders in hand of the company stood at ~NPR 1,768 Mn (total contract value). It represents 7.13x the total operating income in FY25. However, looking at KSK's sole share in JV, the order in hand stands at ~NPR 690 Mn which is ~2.8x the total operating income in FY25. Furthermore, these projects are expected to complete within next 2-3 years exhibiting mid-term revenue visibility. Geographic concentration remains with ~42% work falling in Karnali Province and ~58% in Lumbini Province. Out of the KSK's work in hand, majority of the contract (~91% of contract value) remains concentrated in road segment, exposing KSK to significant concentration risk. The company's ability to secure extension of timelines, execute the projects and timely realize the proceeds will remain key monitorable.

Working capital intensive nature of operations

KSK's working capital cycle remains relatively stretched owing to delay in payments due to lack of funds of contractor amidst economic recession during FY23-24, resulting the average collection period to increase in FY24-25 to ~63 days in FY25 from ~14 days in FY24. However, due to expedition of works, the inventory turnover has increased reducing the average inventory holding days to ~86 days in FY25 from ~96 days in FY23. The creditor period has also increased to 33 days resulting which the operating cycle has increased to ~117 days in FY25 from ~90 days in FY23. Nevertheless,

the working capital intensity has improved to ~40% in FY25 from ~45% in FY23 but still remains stretched necessitating a higher working capital requirement, as evidenced by near complete utilization of short-term loan limits (Average utilization of ~91.40% of sanction limit of working capital during past 12 months ending January 2026. The ability of company to improve its working capital cycle remains key rating sensitivity.

Project execution risk

KSK'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. Nevertheless, with good reputation of the company coupled with qualified and experienced management team, the company has been able to execute the projects without incurring significant delays and penalties. Furthermore, given the policy of limiting outstanding government contracts at a time the timely execution of the order in hand is critical.

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 BFIs 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 KSK to the risk of interest rate volatility. Further, KSK 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 to 5 years for its projects.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[K.S.K. Construction Company Private Limited: Bank Facilities Rating Revised and moved to Issuer not cooperating category with notice of withdrawal](#)

[K.S.K. Construction Company Private Limited: Bank Facilities Rating Assigned](#)

About the Company:

K.S.K. Construction Company Private Limited (KSK) was previously registered as a sole proprietorship firm namely "Pradeep Construction Sewa" from 1999 AD to 2017 AD and later converted to K.S.K. Construction Company Private Limited on June 13, 2017, and obtained "A" class construction license from Ministry of Physical Infrastructure and Transport on September 06, 2016. The registered office of the company is located at Birendranagar, Surkhet, Nepal and the company is promoted by three individual shareholders.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	151	249	238	249
EBITDA Margin (%)	5.71	4.97	6.88	7.62
Interest Coverage Ratio (x)	4.12	2.82	2.42	3.64
Total Debt/EBITDA (x)	1.40	4.36	4.20	4.08
Current Ratio (x)	5.19	2.01	2.27	1.63
Overall Gearing Ratio (x)	0.16	0.68	0.82	0.86

Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)

**Classification as per Infomerics Nepal standards*

Annexure:1 Detail of Facilities

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities-Auto Loan	Long Term	46.69	IRN BB-
Fund Based Bank Facilities-Working Capital Loan	Short Term	50.00	IRN A4
Non Fund based Bank Facilities- LC/BG^	Short Term	710.05	IRN A4
Non Fund based Bank Facilities- LC/BG^ (Proposed)	Short Term	994.20	IRN A4
Total Facilities		1,801.39	

^ Letter of Credit/Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:

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