

PRESS RELEASE

LAMA CONSTRUCTION COMPANY PRIVATE LIMITED

March 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Short Term Bank Facilities	415.00 (Reduced from 420.00)	IRN A4+	Reaffirmed
Long Term/Short Term Bank Facilities	4,110.50 (Reduced from 5,757.14)	IRN BB+/A4+	Reaffirmed
Total	4,525.50		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN A4+ (A Four Plus) assigned to the short-term bank facilities of NPR 415.00 Mn and IRN BB+/A4+ (Double B Plus/A Four Plus) to the long-term/short-term bank facilities of NPR 4110.50 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Lama Construction Company Private Limited (LCCPL) derives strength from long track record of operations (since 1976 AD) along with experienced promoters and management team. The ratings also factor in the moderate coverage indicators, as evidenced by Debt Service Coverage Ratio (DSCR) of 2.63x and Interest coverage ratio of 2.96x as of mid-July 2025. Also, leverage profile stood comfortable with overall gearing ratio of 0.09x (Excl. Mobilization advances). The ratings also take into account the moderate order book position with 37 active projects as of February 2026 amounting to ~NPR 6,379 Mn which is equivalent to 3.25x the total operating income of FY25. Additionally, the ratings take a positive view of LCCPL's moderate counter party risk profile as its major contractors are government bodies along with intergovernmental bodies like United Nations Office for Project Services (UNOPS).

These rating strengths are however constrained by slowdown in construction activity reducing its TOI by 24% to ~NPR 1,962 Mn in FY25 from ~NPR 2,586 Mn in FY24. The ratings also remain constrained due to its existence in a competitive construction industry. Also, the company is exposed to project execution risk, interest risk and defect liability risk and exposure towards changes in Government regulations. Going forward, the ability of the company to successfully execute current projects in hand and recover contract proceeds on time and further improving its financial profile and net worth base will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Long track record of operations with experienced promoters and management team

LCCPL, established in 1976 AD is led by Mr. Jip Tshering Lama, Chairman, who possess more than four decades of experience in construction sector. Mr. Lama is also the former president of Federation of Contractor's Association. Mr. Pitambar Badu, Managing Director, has over 5 decades of experience in the field of construction. He is the former Central Member of Federation of Contractor's Association. Mr. Pawan Kumar Gupta, director, also possess over 3 decades of experience in construction sector. Similarly, Mr Arun Ghising, director has over a decade of experience as a Project Engineer. Furthermore, the board is aptly supported by key managerial personnel having over a decade of experience in relevant sector.

Improving capital structure and coverage indicators

The capital structure of LCCPL shows notable improvement with overall gearing ratio (Excl. mobilization advance) of 0.09x as of mid-July 2025 from 0.19x in FY24 and overall gearing ratio (Incl. mobilization advance) of 0.36x as of mid-July 2025 from 0.63x in FY24. This improvement in overall gearing was primarily driven by scheduled repayment of term loan in FY25 along with accretion of profits to the reserves. Similarly, Total Outside Liabilities to Tangible Net Worth (TOL/TNW) level witnessed an improvement in FY25 reaching 0.58x from 0.77x in FY24. The company's coverage indicators remain moderate with interest coverage ratio slightly deteriorated to 2.96x in FY25 from 3.66x in FY24. The deterioration was due to declination of EBITDA in FY25. Likewise, DSCR is also stood at 2.63x in FY25 from 3.02x in FY24.

Moderate order book position

As on February 2026, the unexecuted orders in hand of the company stood at ~NPR 6,379 Mn. LCCPL's order book position remains moderate as of February 2026, with an unexecuted order in hand of 3.25x the total operating income in FY25 (Consolidated). Furthermore, the order book reflects mid-term revenue visibility as the projects are in scheduled to be completed within the next 1-2 year. However, it is important to note that majority of the outstanding projects are currently behind schedule and have surpassed the project deadlines. In case the company fails to secure an extension for these projects, it could face penalties that may have a bearing on company's financial profile. Therefore, the company's ability to secure extensions and ensure timely project completion will remain key monitorable.

Key Rating Weaknesses

Project execution risk

LCCPL business model has some inherent risk and the projects are susceptible to delays in procedural approvals, site clearances, delay in payment in government funded projects and other operational issues exposing the company to the risk of delay in project execution leading to delays in realization of revenues. Additionally, the company's high concentration in road (72%) of unexecuted orders, further aggravates execution risk. Nevertheless, presence of experienced promoters with past exposure in construction sector provides comfort to an extent. Also, LCCPL can claim for the additional expenses incurred due to delay in project execution due to employer.

Declining scale of operations

The company's Total Operating Income (TOI) exhibited some volatility reaching ~NPR 1,962 Mn in FY25 from ~NPR 2,586 Mn in FY24, primarily due to heightened competition amid slowdown in construction activities. Profitability remained largely stable, albeit with slight moderation. The PAT margin declined marginally to 1.22% in FY25 from 1.28% in FY24. In contrast, the EBITDA margin improved to ~6% in FY25 (from ~5% in FY24), supported by a reduction in major input costs. Nevertheless, Gross Cash Accruals decreased to ~NPR 49 Mn in FY25 from ~NPR 71 Mn in FY24, in line with the decline in PAT.

Existence in a competitive industry and exposure to government regulation

The construction sector of Nepal is highly competitive with presence of large number of contractors and the contractors are subject to a competitive bidding process to secure the work from governmental agencies. Furthermore, the business also remains dependent on stability in government policies/ fiscal policies and GoN's capital expenditure which has slowed down in the latest years. LCCPL'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 the realization of revenues.

Analytical Approach: Consolidated

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Lama Construction Company Private Limited: Bank Facilities Rating Assigned](#)

About the Company:

Lama Construction Company Private Limited (LCCPL) is a Class "A" construction company of Nepal which was incorporated on 1976, which was later converted into private limited company on August 16, 1994. The registered office of the company is located at Maharajgunj, Kathmandu. In addition to working on projects individually, LCCPL also forms joint venture (JVs) to meet the requirements for participating in various construction projects. Mr. Pawan Kumar Gupta holds majority of share (29.00%) followed by Mr. Pitamber Badu (27.00%).

Financial Indicators (Consolidated)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	1,754	1,960	2,586	1,962
EBITDA Margin (%)	2.66	4.93	5.25	5.54
Interest Coverage Ratio (x)	5.42	4.24	3.66	2.96
Total Debt/ EBITDA (x)	3.01	5.96	4.63	3.25
Current Ratio (x)	5.87	3.95	5.00	3.30
¹ Overall Gearing Ratio (x)	0.15	0.62	0.63	0.36
² Overall Gearing Ratio (x)	0.03	0.32	0.19	0.09

*Classification as per Infomerics Nepal standards

¹Overall gearing ratio (x) including mobilization advance

²Overall gearing ratio (x) excluding mobilization advance

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Working Capital Loan	Short Term	415.00	IRN A4+
Non-Fund Based Bank Facilities- BG ¹	Long Term/ Short Term	4,110.50	IRN BB+/A4+
Total Facilities		4,525.50	

¹Bank Guarantee

Analyst Contacts

Mr. Raunak Mulmi

Tel No.+977-1-4583304/4585906

raunak.mulmi@infomericsnepal.com

Mr. Pradosh Aryal

Tel No.+977-1-4583304/4585906

pradosh.aryal@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini

Tel No.+977-1-4583304/4585906

rabin.pudasaini@infomericsnepal.com



Infomerics Credit Rating Nepal Limited

About Infomerics Credit Rating Nepal Limited:

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Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com

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