

PRESS RELEASE

MAHASHAKTI CEMENT LIMITED

March 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BB- (Is)	Assigned
Long Term Bank Facilities	636.85	IRN BB-	Assigned
Short Term Bank Facilities	2,165.28	IRN A4	Assigned
Total	2,802.13		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB- (Double B Minus) to the long-term bank facilities of NPR 636.85 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 2,165.28 Mn.

Also, Infomerics Nepal has assigned the issuer rating of IRN BB- (Is) [Double B Minus (Issuer)]. Issuers with this rating are considered to have the moderate risk of default regarding timely servicing of financial obligations.

Detailed Rationale

The ratings assigned to Mahashakti Cement Limited (MCL) and its bank facilities derive strength from its experienced Board of Directors and draws comfort from the company's improving scale of operations, with Total Operating Income (TOI) registering a two-year CAGR of ~14.22% ending FY25 supported by post-merger operational synergies and improved sales volumes, and continued revenue traction in H1FY26 albeit moderation in profitability due to elevated clinker prices and limited pricing flexibility. Furthermore, the capital structure remains comfortable, with overall gearing ratio below unity over the past three FYs ending FY25 coupled with moderate debt protection metrics.

Nonetheless, the ratings are constrained by working capital intensive nature of operations, reflected in an elongated operating cycle driven by high receivable and inventory days. Moreover, MCL remains exposed to cyclical and seasonality inherent in the cement industry, volatility in raw material prices, regulatory risks, and intense competition, which may continue to exert pressure on margins and liquidity profile over the near to medium term. Going forward, MCL's ability to improve its revenue profile, profitability margins, sustain its leverage and manage its working capital efficiently will remain key rating sensitivities. Also, the ability of the company to timely conclude IPO issuance and its utilization as envisaged will remain key monitorable.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Board of Directors

MCL is governed by a well experienced Board of Directors chaired by Mr. Sundar Pathak, who brings over 25 years of diversified business experience, including around 15 years in the cement manufacturing sector. The Board comprises seasoned professionals with backgrounds spanning banking, finance, hydropower, hospitality, real estate, pharmaceuticals, logistics, human resources, and cement manufacturing. The collective expertise and leadership depth of the Board provide strong strategic oversight and robust governance framework, supporting the company's operational efficiency and long-term sustainable growth.

Improving TOI albeit moderation in profitability

MCL's financial performance has witnessed a steady improvement post-merger, with TOI increasing to NPR 1,255 Mn in FY25, registering a two-year CAGR of ~14.22%, supported by operational

synergies and higher sales volumes. The company reported TOI of NPR 463 Mn in H1FY26, indicating continued scale-up in operations. However, the operating profitability moderated during the period, with EBITDA margin declining to ~30% in FY25 on y-o-y basis (~55% in FY24 and ~88% in FY23) due to a sharp increase in clinker prices, which was not fully offset by a proportionate rise in cement price realizations. The contraction in operating margins consequently led to moderation in PAT margins. Further, Gross Cash Accruals (GCA) declined to NPR 112 Mn in FY25, reflecting the impact of reduced profitability on internal accrual generation.

Low gearing profile

The capital structure of the company is marked by a low overall gearing ratio of below unity during the past 3 FYs ending FY25 (0.77x, 0.74x and 0.71x in FY23, FY24 and FY25 respectively). Also, the overall gearing ratio continues to remain below unity at 0.75x as of mid-January 2026. Similarly, Total Outside Liabilities/Tangible Net worth (TOL/TNW) also remained below unity at 0.98x and 0.82x at the end of FY24 and FY25 respectively. Interest coverage ratio stood moderate at 1.37x in FY25, albeit declined from 2x in FY24 amid decline in EBITDA coupled with increasing finance cost.

Key Rating Weaknesses

Working capital intensive nature of business

The operations of MCL are working capital intensive in nature marked by an elongated operating cycle of 494 days in FY25 and 639 days in FY24. The elongated operating cycle is mainly on account of elevated debtor position with average collection period standing at 709 days and 534 days in FY24 and FY25 respectively. Receivables are largely from construction companies, leading to higher receivable days due to competitive pressures and extended credit terms; expected to persist in the medium term though partially secured. Also, inventory holding remains high at 226 days and 119 days in FY24 and FY25 respectively as the company has to maintain stock for the smooth operation. The company's working capital utilization remained high nearing to full utilization during FY25.

Vulnerability to cyclical trend and seasonal demand; risk of regulatory changes, volatility in raw material price

The cement industry is affected by cyclical trends in supply and demand, which in turn are linked to the economic growth of the country. Hence, the company is exposed to cyclical trends in supply and demand in the industry, impacting the capacity utilization, revenues and margins. Additionally, seasonality in construction and development expenditures can impact the industry's operation and overall demand for cement in Nepal. Moreover, cement industry in Nepal are also benefitted by the high custom levied on import, also being a volumetric production, transportation cost also remains high. Hence, any changes in the government regulations will have a huge impact on overall cement industry. MCL meets all of its clinker requirements through purchases and also procures other raw materials, such as iron ore, dry slag, fly ash, coal, and gypsum, from India and other countries. The prices of these raw materials are highly volatile due to their global linkages, which exposes the company to raw material price volatility risk.

Intense competition in the industry

In the cement industry, market dominance is typically held by large producers with strong brand recognition. However, the market landscape is characterized by a mix of organized and unorganized players, resulting in limited pricing power for new entrants and impacting profitability amidst fierce competition. Currently, there are approximately 60 cement industry and 20 clinker manufacturing units operational, with several additional units in the pipeline. The impending influx of new units, alongside existing units undergoing capacity expansions, is anticipated to further constrain pricing flexibility in the future. Consequently, any notable increase in input material costs is likely to exert pressure on the industry's overall margins in the face of heightened competition.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

[Issuer Rating Methodology](#)

About the Company:

Mahashakti Cement Limited (MCL) is a recently formed public limited company established on July 16, 2023 through the conversion of the former private limited company, Mahashakti Cement Private Limited. Prior to this transformation, three separate companies; Mahashakti Cement Private Limited, Garima Cement Private Limited, and M. Jaypee Cement Private Limited; merged on the July 14, 2023. MCL has its integrated cement manufacturing plant situated in Shivaraj 06, Kapilvastu, Nepal. MCL is currently engaged in the manufacturing and selling of cement; OPC and PPC. Mr. Shyam Prasad Poudel holds the major shareholdings (~9%) followed by Mr. Hari Bahadur Bhandari and Mr. Paras Adhikari holding ~8% each as of mid-January 2026.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	H1FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	962	941	1,255	463
EBITDA Margin (%)	87.57	54.74	29.94	26.93
Interest Coverage Ratio (x)	12.81	2.00	1.37	1.22
Current Ratio (x)	4.32	2.14	2.56	2.18
TOL/TNW (x)	0.83	0.98	0.82	0.86
Overall Gearing Ratio (x)	0.77	0.74	0.71	0.75

*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)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	636.85	IRN BB-
Fund Based Bank Facilities- Permanent Working Capital Loan	Long Term	1,220.78*	IRN BB-
Fund Based Bank Facilities- Short Term Loan/Trust Receipt/Cash Credit	Short Term	877.50*	IRN A4
Non-Fund Based Bank Facilities-LC/BG	Short Term	320.00*	IRN A4
Total Facilities		2,802.13	

LC= Letter of Credit; BG= Bank Guarantee

*Total working capital facilities shall remain within the limit of NPR 2,165.28 Mn

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Infomerics Credit Rating Nepal Limited

About Infomerics Credit Rating Nepal Limited:

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