

## PRESS RELEASE

### K.C. CONSTRUCTION FIRM PRIVATE LIMITED

April 2026

#### Ratings

| Instrument/Facilities                | Amount (NPR Mn)                      | Ratings    | Rating Action           |
|--------------------------------------|--------------------------------------|------------|-------------------------|
| Long Term Bank Facilities            | 2,837.25<br>(enhanced from 450.00)   | IRN BB-    | Upgraded from IRN B+    |
| Short Term Bank Facilities           | 1,800.00<br>(enhanced from 1,050.00) | IRN A4     | Reaffirmed              |
| Long Term/Short Term Bank Facilities | 3,450.00<br>(enhanced from 799.26)   | IRN BB-/A4 | Upgraded from IRN B+/A4 |
| <b>Total</b>                         | <b>8,087.25</b>                      |            |                         |

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating from IRN B+ (Single B Plus) to IRN BB- (Double B Minus) assigned to long-term bank facilities of NPR 2,837.25 Mn, reaffirmed IRN A4 (A Four) to the short-term bank facilities of NPR 1,800.00 Mn and also upgraded the rating from IRN B+/A4 (Single B Plus/A Four) to IRN BB-/A4 (Double B Minus/A Four) assigned to long term/short term bank facilities of NPR 3,450.00 Mn.

#### Detailed Rationale

The upgradation in the ratings assigned to the bank facilities of K.C. Construction Firm Private Limited (KCFPL) factor in the company's improved revenue profile and operating profitability, supported by the timely completion of key projects. The ratings further consider KCFPL's moderate order book position, with unexecuted orders at 15.01x of FY25 operating income as of mid-March 2026, providing medium-term revenue visibility. The ratings continue to derive comfort from the company's established operational track record of over four decades, experienced promoters and management team, and its association with the KC Group. The ratings also reflect the relatively low counterparty risk profile, given the predominance of projects awarded by GoN<sup>1</sup> entities and agencies. Moreover, the presence of price escalation clauses in major contracts provides a cushion against input cost volatility, supporting revenue stability and margin sustenance.

Nonetheless, the ratings remain constrained by the company's leveraged capital structure, albeit supported by moderate debt service coverage indicators. The ratings also factor in the highly competitive nature of the construction sector, marked by aggressive bidding practices that exert pressure on margins. Further, the company's exposure to economic cyclicalities, particularly linked to the Government of Nepal's capital expenditure patterns and evolving public procurement regulations, remains a key concern given its reliance on public sector projects. Going forward, KCFPL's ability to achieve sustained revenue growth through timely execution of its order book and securing new contracts, while maintaining profitability and adequate liquidity, will remain key rating sensitivities.

#### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

##### Established track record with experienced promoters and management

K.C. Construction Firm Private Limited (KCFPL), originally established as a proprietorship firm on July 28, 1978 and subsequently converted into a private limited company on October 16, 2022, benefits from an operational track record of over four decades, reflecting its longstanding presence in Nepal's construction sector. The company is affiliated with the KC Group and is governed by a four-member

<sup>1</sup> Government of Nepal

Board of Directors chaired by Mr. Roshan KC, who possesses over two decades of experience in the construction industry and also serves as Chairman of KC Group and Machhapuchhre Bank Limited. The other board members also bring extensive experience of over two decades in the relevant sector, thereby strengthening strategic oversight. Additionally, the board is supported by a team of experienced managerial personnel with more than a decade of industry exposure, aiding in effective execution and operational continuity.

### **Improving revenue profile and profitability**

KCFPL has demonstrated a consistent improvement in its revenue profile over the past three fiscal years ending FY25. Although the entity was converted into a private limited company in FY23, the erstwhile K.C. Construction Firm continues to operate due to ongoing legal disputes, resulting in partial revenue recognition across both entities during FY23 and FY24. On a combined basis, the firm reported revenues of ~NPR 495 Mn and ~NPR 685 Mn in FY23 and FY24, respectively, with a significant portion attributed to K.C. Construction Firm (~NPR 455 Mn in FY23 and ~NPR 244 Mn in FY24). The revenue further increased to ~NPR 851 Mn in FY25, reflecting a y-o-y growth of ~24%, primarily driven by the completion of key projects. Profitability indicators also improved, with operating margins rising to 19.98% in FY25 from 10.98% in FY24, supported by moderation in raw material costs. Consequently, PAT margins improved to 5.40% in FY25 from 2.77% in the previous year. The improved operating performance translated into a higher Gross Cash Accruals (GCA) of ~NPR 61 Mn in FY25 compared to ~NPR 18 Mn in FY24, indicating strengthened internal accruals.

### **Moderate order book position with mid-term revenue visibility**

As of Mid-March, 2026, the unexecuted orders in hand of the company stood at ~NPR 12,782 Mn (including KCFPL's share in JVs). KCFPL's order book position remains moderate as of mid-March 2026, with an unexecuted order in hand of 15.01x the total operating income of FY25(A). Furthermore, the order book reflects mid-term revenue visibility as the projects are in scheduled to be completed within next one to three years.

## **Key Rating Weaknesses**

### **Leveraged capital structure with moderate debt service coverage indicators**

KCFPL's capital structure remains leveraged, as reflected in the increasing overall gearing ratio, which rose to 3.24x as of mid-July 2025 from 2.03x as of mid-July 2024, primarily on account of higher utilisation of contract loans. Consequently, the TOL/TNW also deteriorated to 5.60x in FY25 from 4.58x in FY24, indicating elevated reliance on external borrowings. Despite the stretched capital structure, the company's debt service coverage indicators have shown marginal improvement, supported by improved operating performance during the year. The interest coverage ratio improved to 1.22x in FY25 from 0.47x in FY24, while the DSCR also moderated upward to 1.26x from 1.18x in the previous year. Nonetheless, the coverage metrics remain moderate, indicating limited headroom to absorb any adverse movement in cash flows.

### **Geographical and segmental concentration with execution risks**

KCFPL has a geographically and segmentally concentrated order book, which exposes it to elevated execution risks. As of mid-March 2026, the company's unexecuted order book stood at ~NPR 12,782 Mn, with a significant concentration of ~70% (~NPR 8,885 Mn) in Gandaki Province. Segment-wise, the order book is largely skewed towards hydropower projects (~68%), with the balance attributable to building construction. In addition, the order book remains concentrated in single hydro projects, which account for ~58% of the total outstanding order across 10 active projects which introduces a concentration risk as the company's overall financial and operational performance could become closely tied to timely execution of such contracts.. Such concentration increases the company's vulnerability to region- and sector-specific risks. Further, inherent execution risks in the construction sector such as delays in approvals, site clearances, and payments, particularly in government projects may impact timely project completion and revenue realization. However, the promoters' extensive industry experience provides some comfort in managing these risks.

## 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 KCFPL to the risk of interest rate volatility. Further, KCFPL 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 for projects.

**Analytical Approach:** Standalone

## Applicable Criteria:

[Corporate Credit Rating Methodology](#)

## Past Rating Rationale:

[K.C. Construction Firm Private Limited: Bank Facilities Rating Assigned](#)

## About the Company:

K.C. Construction Firm Private Limited (KCFPL) is a Class "A" construction company which was initially incorporated on 1978 as a firm, which was later converted into private limited company on October 16, 2022. The company obtained "A" class construction license on April 29, 1988 from Ministry of Physical Infrastructure and Transport. The registered office of the company is located at Pokhara, Kaski and the company is promoted by four shareholders named Mr. Roshan K.C. (25.00%), Mr. Kiran K.C. (25.00%), Mr. Prem Kumari K.C. (25.00%) and Mr. Prakash K.C. (25.00%).

## Financial Indicators (Standalone)

| For the year ended* As on                    | FY23    | FY24    | FY25    |
|--|---------|---------|---------|
|  | Audited | Audited | Audited |
| Total Operating Income (NPR Mn) <sup>2</sup> | 40      | 441     | 851     |
| EBITDA Margin (%)                            | 16.53   | 10.98   | 19.98   |
| Interest Coverage Ratio (x)                  | 0.08    | 0.47    | 1.22    |
| Overall Gearing Ratio (x)                    | 5.11    | 2.03    | 3.24    |
| TOL/TNW (x)                                  | 5.81    | 4.58    | 5.60    |
| Current Ratio (x)                            | 1.03    | 1.51    | 1.25    |

\*Classification as per Infomerics Nepal standards

EBITDA: Earning before Interest, Tax, Depreciation and Amortization

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                | 2,837.25        | IRN BB-    |
| Fund Based Bank Facilities- Working Capital Loan | Short Term               | 1,800.00        | IRN A4     |
| Non-Fund Based Bank Facilities- LC/BG*           | Long Term/<br>Short Term | 3,450.00        | IRN BB-/A4 |
| <b>Total Facilities</b>                          |                          | <b>8,087.25</b> |            |

\*Letter of Credit/Bank Guarantee

<sup>2</sup> In last rating, financials were presented on a combined basis of both entities; notwithstanding incorporation of K.C. Construction Firm Private Limited, a portion of revenues continued to be booked in K.C. Construction Firm, with combined revenues of ~NPR 495 Mn in FY23 and ~NPR 685 Mn in FY24.



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## About Infomerics Credit Rating Nepal Limited:

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