

PRESS RELEASE

STEEL WOOD NEPAL PRIVATE LIMITED

May 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	420.00 (reduced from 447.50)	IRN B	Upgraded from IRN B- and removed from Issuer not cooperating category
Short Term Bank Facilities	287.50	IRN A4	Removed from Issuer not cooperating category
Total	707.50		

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 420.00 Mn to IRN B (Single B) from IRN B- 'INC' (Single B Minus, Issuer Not Cooperating) and revised the rating to IRN A4 (A Four) from IRN A4 'INC' (A Four, Issuer Not Cooperating) assigned to the short-term bank facilities of NPR 287.50 Mn. The ratings have been removed from Issuer Not Cooperating category.

Detailed Rationale

The upgradation of ratings factor in SWNPL's established operational track record following its merger with Steel Wood, which has over four decades of experience in trading construction materials and hardware products, along with the extensive industry experience of the promoter, Mr. Sunil Kumar Rungta. The ratings further derive comfort from the improvement in the company's financial performance in FY24 and continued profitability in FY25 despite moderation in Total Operating Income (TOI).

Nonetheless, these ratings remain constrained by the company's leveraged capital structure reflected by elevated overall gearing ratio of 3.57x as of mid-July 2025. The ratings also factor in working capital intensive operations marked by high receivable levels and dependence on bank borrowings, as well as its exposure to cyclical demand and intense competition in the fragmented construction material trading industry. Going forward, SWNPL's ability to sustain its revenue, improve its profitability, leverage position and debt protection metrics through prudent working capital management would remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Merger with Steel Wood having track record of operation along with experienced promoter

SWNPL merged with Steel Wood, a proprietorship firm engaged in the trading of construction materials and hardware products for more than four decades. Despite the formal merger, both entities had already been operating as a single business with shared distribution channels and operations. The restructuring is expected to enhance operational efficiency and support improved business performance. Also, the company's promoter Mr. Sunil Kumar Rungta brings in an extensive support and experience of more than 35 years in the trading industry. Mr. Rungta also has other trading units namely Steel Wood Enterprises Private Limited, Vishal Trading and Vishal Hardware. The promoter is further supported by well experienced management personnel over various functions.

Improving financial performance

SWNPL's TOI improved significantly to NPR 1,060 Mn in FY24 from NPR 653 Mn in FY23, reflecting

recovery in trading activity post-merger. However, in FY25, TOI moderated to NPR 873 Mn driven by subdued market demand and tighter customer credit terms, leading to lower unsecured sales. EBITDA improved sharply to NPR 108 Mn in FY24 from NPR 31 Mn in FY23, while EBITDA margin strengthened to 10.21% from 4.77% on account of sales to buyers associated with China-based projects, where SWNPL charges a margin on logistics services for delivery to project sites. Nevertheless, EBITDA declined to NPR 72 Mn in FY25 with moderation in EBITDA margin to 8.21% due to increased operational expenses. Moreover, the company reported PAT of NPR 13 Mn in FY24 against net loss of NPR 40 Mn in FY23, primarily driven by improvement in operating profitability despite continued high finance cost burden. In FY25, PAT remained positive at NPR 11 Mn, albeit lower than FY24. Similarly, GCA improved to NPR 15 Mn in FY24 from negative in FY23, indicating recovery in internal cash generation capacity post-merger; however, GCA declined to NPR 11 Mn in FY25 in line with lower profitability levels and modest cash flow generation.

Key Rating Weaknesses

Leveraged capital structure

SWNPL's capital structure remained leveraged, albeit with gradual improvement over the years. Total debt remained largely stable at NPR 728 Mn in FY24 and NPR 733 Mn in FY25 compared to NPR 737 Mn in FY23. Overall gearing ratio improved to 3.75x in FY24 from 4.73x in FY23, supported by improvement in net worth position due to injection of equity and improved profitability, and further improved marginally to 3.57x in FY25. Interest coverage ratio improved to 0.93x in FY24 from 0.37x in FY23 on account of stronger operating earnings and further improved to 1.03x in FY25 despite moderation in profitability, supported by lower finance cost. Similarly, DSCR improved to 1.44x in FY24 from 0.53x in FY23, indicating better debt servicing capability; however, it moderated to 0.98x in FY25 due to lower cash accruals.

Working capital intensive nature of business

The operations of SWNPL continue to remain working capital intensive due to high receivable and inventory holding requirements associated with the trading nature of business. The company utilized ~98% of its sanctioned working capital limits during the recent period, reflecting tight liquidity conditions and high dependence on bank borrowings for working capital support. The operating cycle improved significantly to 259 days in FY24 from 542 days in FY23, supported by reduction in collection period to 261 days and inventory days to 105 days. However, in FY25, the operating cycle elongated to 307 days due to increase in collection period to 366 days, while inventory days remained stable at 105 days.

Fragmented industry with cyclical nature

Cyclical nature of the construction products related industry creates uncertainty over demand and cash cycles for SWNPL. This could impact the company's revenue and profit margins. Volatility in cash flow due to cyclical nature in the cash cycle could pose challenges, especially during the period of low demand. Furthermore, the fragmented industry is characterized by intense competition due to the presence of several organized/unorganized players aided by low entry barrier, low technology and capital requirement.

Analytical Approach: Standalone

Applicable Criteria:

[Bank Loan Rating Methodology](#)

Past Rating Rationale:

[Steel Wood Nepal Private Limited: Bank Facilities Rating Revised and moved to Issuer Not Cooperating category with notice of withdrawal](#)

About the Company:

Steel Wood Nepal Private Limited (SWNPL) was founded by Mr. Sunil Kumar Rungta on December 23, 2018 with objective of trading construction material and hardware goods. Steel Wood (Proprietor business) merged with Steel Wood Nepal Pvt Ltd on Feb 17, 2024 and all the assets and liabilities of Steel Wood transferred to SWNPL. The overall management and business activities of the company is handled by Mr. Sunil Kumar Rungta with the assistance of experienced supporting staffs. As of mid-July 2025, SWNPL had a paid-up capital of NPR 192.22 Mn, entirely held by Mr. Sunil Kumar Rungta.

Financial Indicators¹

For the year ended* As on	FY21	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	1,442	1,409	653	1,060	873
EBITDA Margin (%)	5.93	7.59	4.77	10.21	8.21
Interest Coverage Ratio (x)	1.43	1.34	0.37	0.93	1.03
Total Debt/ EBITDA (x)	8.95	6.90	23.65	6.73	10.23
TOL/TNW (x)	19.11	5.80	6.33	5.69	5.44
Current Ratio (x)	1.04	1.16	2.20	1.88	1.83
Overall Gearing Ratio (x)	10.84	3.64	4.73	3.75	3.57

*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)	Rating
Fund Based Bank Facilities- Permanent Working Capital Loan	Long Term	420.00	IRN B
Fund Based Bank Facilities- Short Term Loan	Short Term	50.00	IRN A4
Non-Fund Based Bank Facilities- Letter of Credit	Short Term	237.50	IRN A4
Total Facilities		707.50	

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About Infomerics Credit Rating Nepal Limited:

Infomerics Credit Rating Nepal Limited is Nepal's third Credit Rating Agency licensed by the Securities Board of Nepal (SEBON) on March, 2022. Infomerics Nepal is a subsidiary of Infomerics Valuation and

¹ Figures upto FY23 pertain to Steel Wood, as SWNPL did not record any business transaction prior to the merger completed in March 2024. FY24 figures represent the merged entity, while FY25 figures are the standalone financials of SWNPL.



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