

## PRESS RELEASE

### **AMBE STEELS LIMITED**

June 2026

#### Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BBB- (Is)	Reaffirmed
Long Term Bank Facilities	1,879.95 (reduced from 2,148.52)	IRN BBB-	Reaffirmed
Short Term Bank Facilities	4,423.50	IRN A3	Reaffirmed
<b>Total</b>	<b>6,303.45</b>		

*Details of facilities are in Annexure 1 below*

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the issuer rating of IRN BBB- (Is) [Triple B Minus (Issuer)]. Issuer with this rating is considered to have a moderate degree of safety regarding timely servicing of financial obligations.

Also, Infomerics Nepal has reaffirmed the rating of IRN BBB- (Triple B Minus) assigned to the long-term bank facilities of NPR 1,879.95 Mn and IRN A3 (A Three) to the short-term bank facilities of NPR 4,423.50 Mn.

#### Detailed Rationale

The reaffirmation of ratings assigned to Ambe Steels Limited (ASL) and its bank facilities continue to derive strength from its strong association with the established Ambe Group, experienced promoters and management team, recognized brand presence, extensive distribution network, and backward integration through its billet manufacturing facility, which supports operational efficiency and supply-chain stability. The company is also expected to benefit from the favorable long term demand outlook for steel products, supported by continued infrastructure development and government initiatives aimed at promoting industrial growth in Nepal.

Nonetheless, the ratings are constrained by moderation in profitability and margin pressures, as evidenced by the net loss reported in 9MFY26 amid lower sales realizations and the impact of high-cost inventory. ASL's capital structure remains leveraged, with the overall gearing ratio moderating to 3.02x as of mid-April 2026 (2.30x in FY25), driven by increased reliance on working capital borrowings, resulting in weaker debt protection indicators. The working capital intensive nature of operations, reflected by elevated inventory and receivable levels, further constrains financial flexibility. Furthermore, ASL remains exposed to fluctuations in raw material prices, foreign exchange risks arising from import dependence, regulatory risks, and intense competition within the steel industry, which limit pricing power and contribute to earnings volatility. Going forward, the company's ability to improve its profitability, timely debt reduction with prudent working capital management will remain key rating sensitivities. Also, the ability of the company to successfully execute its IPO issuance and its utilization as envisaged would remain key monitorable.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

##### **Strong promoter group with experienced directors and management team**

ASL is promoted by Ambe Group, which runs established businesses in the country. The group encompasses companies in diverse fields related to manufacturing of cement, steel, among others. Operational synergies are expected, with the group's involvement in steel and cement industry (Shaurya Cement Industries Limited [[IRN BBB-/A3@](#)], Riddhi Siddhi Cement Limited [[IRN BBB-/A3@](#)], and Jay Ambe Steels Limited [[IRN BBB-/A3](#)]), mainly in the area of supply and distribution

channel. ASL is managed by three-member board of directors who have wide experience in manufacturing sector. Mr. Shovakar Neupane, Chairman, has over four decades of experience in manufacturing and trading business, and is a director of Jay Ambe Steels Limited, Riddhi Siddhi Cement Industries Limited, Ambe Cement Private Limited, and others. Furthermore, the experienced and qualified pool of top management is again expected to support the business risk profile going forward.

## **Established brand recognition and backward integration**

ASL distributes its products under multiple brand names across Nepal, including brands like "AMBE TMT" and "AMBE GI". These well recognized brands aids in steady demand and distinguish ASL's products from those of competitors. This strategic branding has mitigated some of the price volatility caused by competition and maintained ASL's market presence in the Nepal. Furthermore, ASL distributes its products throughout the country through an established dealer network of 655 distributors. ASL also produces billets, a vital semi-finished steel product required for manufacturing steel. It has its own billet manufacturing plant with a production capacity of 80,000 MTPA. By vertically integrating its operations to include billet production, ASL not only enhances its cost efficiencies but also reduces reliance on external suppliers for the crucial semi-finished steel product.

## **Government support for production based industry and demand outlook of steels products**

Nepal is a growing economy and continues to focus on the development of infrastructure, energy, industry, and urban facilities. The budget for FY26 has emphasized economic reforms, industrial promotion, and private sector led growth. The Government has allocated NPR 431 Bn towards capital expenditure in FY26, with significant investments planned in roads, bridges, hydropower projects, transmission lines, urban infrastructure, and other public facilities. These initiatives are expected to support construction activities and, consequently, sustain demand for steel products. Accordingly, the policy support for industrial development and continued infrastructure spending are expected to benefit domestic steel manufacturers like ASL over the medium term.

## **Key Rating Weaknesses**

### **Moderation in profitability and margin pressures**

ASL's financial performance improved in FY25 compared to FY24, with total operating income (TOI) increasing by ~13% to NPR 9,109 Mn from NPR 8,059 Mn. EBITDA also improved marginally to NPR 765 Mn in FY25 from NPR 750 Mn in FY24; however, EBITDA margin moderated to ~8% in FY25 from ~9% in FY24 due to moderation in average realization and relatively higher operating costs. PAT declined to NPR 189 Mn in FY25 from NPR 230 Mn in FY24, resulting in a moderation of PAT margin to 2.07% from 2.83% primarily due to higher depreciation expenses and lower non-operating income, despite growth in TOI and EBITDA. Furthermore, GCA improved significantly to NPR 388 Mn in FY25 from NPR 282 Mn in FY24. During 9MFY26, the company reported TOI of NPR 6,188 Mn and EBITDA of NPR 419 Mn, reflecting into an EBITDA margin of ~7%. Profitability weakened with the company reporting a net loss of NPR 10 Mn and a negative PAT margin. The decline was primarily driven by lower sales realization while consumption of high cost opening inventory compressed gross margins, particularly in the initial months of the year. Hence, the company's ability to restore margins and maintain profitability through effective cost control and pricing strategies will be key monitorable.

### **Leveraged capital structure**

ASL's capital structure remained leveraged, with total debt increasing to NPR 4,727 Mn in FY25 from NPR 4,198 Mn in FY24. However, the overall gearing ratio remained largely stable at 2.30x as of mid-July 2025 (FY24: 2.22x), supported by accretion to net worth. Thus, Total Outside Liabilities/Tangible Net worth (TOL/TNW) improved to 3.55x in FY25 from 3.78x in FY24. Debt servicing indicators strengthened during FY25, with the interest coverage ratio improving to 2.16x in FY25 from 1.90x in FY24. Although DSCR moderated slightly to 1.10x as of mid-July 2025 from 1.21 as of mid-July 2024, it remained above unity. As of 9MFY26, total debt increased significantly

to NPR 6,140 Mn, primarily on account of higher utilization of working capital borrowings. Therefore, the overall gearing ratio moderated to 3.02x, while TOL/TNW increased to 3.96x. The interest coverage ratio also weakened to 1.42x, reflecting pressure on debt protection metrics amid higher borrowings and lower profitability.

### **Working capital intensive nature of business**

ASL's working capital intensity remained moderate reflected by ~42% in FY25 which was ~38% in FY24. The average utilization of sanctioned working capital limits stood at ~72%, providing adequate liquidity cushion and financial flexibility to meet future working capital needs. Furthermore, the average collection period increased marginally to 96 days in FY25 from 93 days in FY24, while inventory holding period remained elevated at 152 days in FY25 (FY24: 155 days). The average creditor period reduced to 25 days from 31 days; thus, the operating cycle elongated to 223 days from 217 days, indicating stretched working capital cycle.

### **Volatility in raw material price and exposure to regulatory risk**

The major raw material for ASL being sponge iron, and billets (occasionally) are majorly imported from India for which the prices are market linked and set on a periodic basis. This exposes the company to the volatility in the raw materials prices having direct impact on its profitability margins. Also, ASL is partially constrained by regulatory risk arising from various/ policies from both Nepal and India. Hence, the regulatory front is expected to impact the performance of companies like ASL going forward.

### **Exposure to foreign exchange fluctuation risk and intense competition present in the steel industry**

ASL is exposed to foreign exchange fluctuation risk due to the mismatch in currency, where more than 50% of its raw materials are imported (in USD) while realization of the finished goods are in local currency. ASL normally uses dollar Trust Receipt Loan and LC, exposing the company to a forex risk. ASL has incurred the foreign exchange loss of NPR 39.25 Mn in FY25. Moreover, the iron and steel industry has numerous small and large, organized and unorganized players making it intensely competitive. The low entry barrier has limited the pricing flexibility and bargaining power of the players in the industry. The demand of iron & steel products is considered cyclical and with massive capacity enhancement of the industry due to the entry of new players as well as the substantial capacity expansion by the existing players has shrined the net realization price of the iron and steel products resulting in lower operating revenue and profits. The producers of steel construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Issuer Rating Methodology](#)

[Corporate Credit Rating Methodology](#)

### **Past Rating Rationale:**

[Ambe Steels Limited: Issuer Rating and Bank Facilities Rating Reaffirmed](#)

### **About the Company:**

Ambe Steels Private Limited is a part of Ambe Group, incorporated on August 26, 2007 which later converted into Ambe Steels Limited (ASL) on October 19, 2023. It has plant situated in Gonaha VDC ward no. 6, Bhairahawa, Nepal for manufacturing of TMT Steel Bars, Billets, GI wires with total installed capacity of 238,400 MTPA, and Gabion box with installed capacity of 3,000,000 sq. m. Mr. Shovakar Neupane (24%), Mr. Shivaj Neupane (18%), Sajjan Agrawal (12.50%), and Ms. Shivani Neupane (11%) are the major shareholders as on mid-April 2026.

## Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	9MFY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	10,878	8,348	8,059	9,109	6,188
EBITDA Margin (%)	4.91	6.43	9.30	8.40	6.77
Interest Coverage Ratio (x)	1.27	1.21	1.90	2.16	1.42
Total Debt/ EBITDA (x)	7.63	7.29	5.60	6.18	14.66
Current Ratio (x)	1.12	1.12	1.21	1.18	1.18
Overall Gearing Ratio (x)	2.83	2.36	2.22	2.30	3.02
TOL/TNW (x)	3.91	3.64	3.78	3.55	3.96

\*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- Term Loan	Long Term	1,879.95	IRN BBB-
Fund Based Bank Facilities- Short Term Loan	Short Term	69.50	IRN A3
Non-Fund Based Bank Facilities- Short Term Loan	Short Term	4,354.00	IRN A3
<b>Total Facilities</b>		<b>6,303.45</b>	

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## About Infomerics Credit Rating Nepal Limited:

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