

PRESS RELEASE

KHANI NIRMAN SEWA PRIVATE LIMITED

June 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term/Short Term Bank Facilities	3,100.00 (Reduced from 7,160.00)	IRN BB-/A4	Downgraded from IRN BB/A4 and removed from Issuer not cooperating category
Total	3,100.00		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has downgraded the rating assigned to the long term/short term bank facilities of NPR 3,100.00 Mn from IRN BB (Double B)/A4 (A Four) to IRN BB- (Double B Minus)/A4 (A Four). Also, the ratings have been removed from Issuer Not Cooperating category.

Detailed Rationale

The revision of ratings assigned to the bank facilities of Khani Nirman Sewa Private Limited (KNSPL) takes into account the significant contraction in total operating income (TOI) during FY24–25, with TOI declining by ~68% and ~85% y-o-y during FY24 and FY25 respectively. The decline was primarily driven by the contraction in number of order executions given the broader economic slowdown in Nepal, which resulted in limited capital expenditure on construction activities. The rating revision also considers KNSPL's modest order book position, comprising only two contracts as of mid-May 2026, thereby limiting medium-term revenue visibility. Additionally, the ratings continue to factor in the company's exposure to project execution and defect liability risks, as well as its operation within a highly competitive construction industry.

However, the ratings derive strength from its experienced promoter and management team in the construction field with long track record of operations (since 1987). The ratings also factor in debt free capital structure as of mid-July 2025 with entire loan portfolio consisting of non-funded bank facilities only. Consequently, the overall gearing ratio is nil as of mid-July 2025 (0.03x in FY24 and 0.01x in FY23) and coverage indicators remain adequate exhibited by healthy interest coverage ratio of 6.55x and DSCR of 9.32x (12.72x and 9.30x respectively in FY24). Furthermore, the ratings also factor in healthy and adequate liquidity profile exhibited by current ratio of 26x in FY25 (4.53x in FY24). Going forward, the ability of company to increase its order book position and timely execute projects in hand and realize the contract proceeds in timely manner resulting in improvement in its scale of operations and profitability margins will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter and long track record of operations

The company is led and promoted by a single director, Mr. Ratna Prasad Gautam who possess more than three decades of experience in the field of construction sector. KNSPL operates as a "A" class construction company and has been catering to governmental projects and private parties since 1987. Furthermore, the board is supported by qualified professionals across various functions.

Debt free capital structure

The company is debt free and has only non-funded facilities as on Mid-July 2025. Consequently, its capital structure continued to remain comfortable, reflected in an overall gearing ratio of nil in FY25, compared with 0.03x in FY24 and 0.01x in FY23. Despite moderation, the interest coverage ratio

remained adequate at 6.55x in FY25, against 12.72x in FY24 and 8.38x in FY23. The debt service coverage ratio (DSCR) improved marginally to 9.32x in FY25 from 9.30x in FY24 and 8.26x in FY23. Further, the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio improved significantly to 0.04x in FY25, compared with 0.29x in FY24 and 0.83x in FY23.

Adequate liquidity profile

KNSPL's liquidity profile remains adequate, as reflected in the significant improvement in its current ratio to 26.43x in FY25, compared with 4.53x in FY24 and 2.08x in FY23. Further, the low TOL/TNW ratio of 0.04x in FY25, against 0.29x in FY24, indicates limited reliance on external borrowings. The company maintained a healthy cash balance of ~NPR 153 Mn as of mid-July 2025, despite substantial profit distributions amounting to ~NPR 30 Mn in FY25 and NPR 173 Mn in FY24, demonstrating adequate liquidity strength. The comfortable liquidity position is expected to support the company in effectively executing any new contracts secured going forward.

Key Rating Weaknesses

Significant contraction in operations

KNSPL's financial performance weakened during FY24 and FY25 due to a significant decline in revenue generation, with TOI declining to ~NPR 504 Mn in FY24 and further to ~NPR 67 Mn in FY25, representing an overall contraction of ~95% from FY23 levels. The decline was primarily attributable to reduced government capital expenditure amid the economic slowdown in Nepal, which adversely affected the overall construction sector. Despite the sharp fall in revenue, profitability margins improved, with EBITDA margin increasing to ~6.77% in FY24 and ~12.10% in FY25 from ~4.99% in FY23, supported by the utilization of lower-cost inventory and the completion stage of major projects, where only minor works with limited associated costs remained. However, absolute profitability indicators moderated significantly due to the substantial decline in operating income, with EBITDA declining to ~NPR 8 Mn in FY25 from ~NPR 34 Mn in FY24 and ~NPR 80 Mn in FY23, while PAT decreased to ~NPR 15 Mn in FY25 from ~NPR 32 Mn in FY24 and ~NPR 59 Mn in FY23. Gross cash accruals (GCA) also declined to ~NPR 19 Mn in FY25 from ~NPR 38 Mn in FY24 and ~NPR 68 Mn in FY23. The ability of management to increase its scale of operations while maintaining profitability margins remain key rating monitorable.

Modest and contracted order book position

KNSPL's order book has declined significantly, with only two projects currently in hand, amounting to ~NPR 576 Mn as of mid-May 2026. The order book has therefore become increasingly contracted and concentrated, given the limited number of ongoing projects. Moreover, one project is nearing completion, with around 85% of work already executed, while the other is at an early stage and is expected to be completed over the next couple of years. As a result, KNSPL has limited short-term revenue visibility, which remains a key rating concern. In the absence of meaningful order inflows, the company's earnings profile is expected to weaken materially in the near term, further constraining its ratings. The ability of management to expand its order in hand position by onboarding new clients will be crucial and remains key rating monitorable.

Existence in a competitive industry and exposure to Government regulations

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. Thus, KNSPL's ability to obtain new projects while maintaining profit margins remains crucial. KNSPL'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.

Project execution and defect liability risk

KNSPL'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 realization of revenues. Nevertheless, with the good reputation of the company coupled with a qualified and experienced management team, the company has been able to execute the projects without incurring significant delays and penalties. Further, KNSPL 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 about one year for its projects.

Analytical Approach: Consolidated

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Applicable Criteria:

[Khani Nirman Sewa Private Limited: Bank Facilities Rating Revised and moved to Issuer Not Cooperating category with notice of withdrawal](#)

About the Company:

Khani Nirman Sewa Private Limited (KNSPL) is the "A" Class construction company incorporated as a firm on July 27, 1987, and subsequently converted into Private Limited company May 18, 2008. The registered office of the company is located at Baneshwor, Kathmandu, Nepal and the company is promoted majorly by Mr. Ratna Prasad Gautam as of Mid-July 2025.

Financial Indicators (Consolidated)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	1,688	1,594	504	67
EBITDA Margin (%)	6.05	4.99	6.77	12.10
Interest Coverage Ratio (x)	8.38	10.91	12.72	6.55
Total Debt/EBITDA (x)	0.56	0.03	0.27	-
Current Ratio (x)	5.48	2.08	4.53	26.43
TOL/TNW (x)	0.33	0.83	0.29	0.04
Overall Gearing Ratio (x)	0.01	0.01	-	-

*Classification as per Infomerics Nepal standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Non Fund based Bank Facilities- Bank Guarantees/Letter of Credit	Long Term/ Short Term	3,100.00	IRN BB-/A4
Total Facilities		3,100.00	

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About Infomerics Credit Rating Nepal Limited:

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