

## PRESS RELEASE

### **NEPAL EKARAT ENGINEERING COMPANY PRIVATE LIMITED**

June 2026

#### Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	377.35 (reduced from 503.35)	IRN BB	Reaffirmed
Short Term Bank Facilities	10.00	IRN A4	Reaffirmed
Long Term/Short Term Bank Facilities	1,125.00	IRN BB/A4	Reaffirmed
<b>Total</b>	<b>1,512.35</b>		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB (Double B) to the long term bank facilities of NPR 377.35 Mn, IRN A4 (A Four) to the short term bank facilities of NPR 10.00 Mn and IRN BB/A4 (Double B/A Four) to the long term/short term bank facilities of NPR 1,125.00 Mn.

#### Detailed Rationale

The reaffirmation of ratings assigned to bank facilities of Nepal Ekarat Engineering Company Private Limited (NEEK) reflects the company's established operational track record, established brand presence and well experienced directors and management personnel in the related field. The ratings also take positive note of sustained adherence to quality standards, as evidenced by its NS (Nepal Standard) and ISO certifications, which strengthen its credibility among the customers. The ratings also take comfort from improving capital structure as reflected in an overall gearing ratio of ~1.61x as of mid-July 2025 (1.96x in FY24) and an improvement in coverage metrics reflected in an interest coverage ratio of ~1.39x as of mid-July 2025 (~0.99x in FY24). Likewise, DSCR also improved to 1.23x as of mid-July 2025 against 1.21x in FY24. Furthermore, the ratings factor in improved operating margins with EBITDA margin remaining at ~10% in FY25 vis-à-vis ~6% in FY24 and a healthy order book position as of May 2026 providing some future revenue visibility. Furthermore, NEEK's manufacturing facility is located in Hetauda, with close proximity to Kathmandu and the Indo-Nepal border, offering a strategic logistical advantage. The company also benefits from the Government of Nepal's continued focus on infrastructure development and electrification, which supports demand for distribution transformers and provides a stable industry outlook. In addition, growing export sales underline NEEK's ability to expand beyond its core domestic customer base, further enhance its overall credit profile.

These rating strengths, however, remain constrained by substantial decline of NEEK's revenue profile by ~49% as reflected in Total operating income (TOI) of ~935 Mn in FY25 from ~NPR 1,830 Mn in FY24. Further, the ratings remain constrained by modest PAT margins of ~0.27% in FY25 (~0.64% in FY24). The ratings further factor in the working capital intensive nature of operations reflected in working capital intensity of ~64% in FY25 (~42% in FY24). Further, the company continues to remain constrained by NEEK's lower capacity utilization, volatility in prices of raw materials, foreign exchange volatility risk, product warranty risk, interest rate volatility risk. Going forward, the ability of the company to improve its revenue & profitability alongside improvement in its capacity utilization while improving its debt protection metrics with prudent working capital management will remain key rating sensitivities.

#### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

## **Established operational track record and experienced management team**

NEEK has been manufacturing distribution transformers for over three decades and has established a strong presence in Nepal's power sector under "NEEK" brand. The company's long-standing operations have enabled it to develop and maintain strong relationships with both public and private sector clients, particularly the Nepal Electricity Authority (NEA). Its adherence to quality standards is reflected in its Nepal Standard (NS) and ISO 9000 series certifications, which enhance customer confidence and support market position. The company also benefits from extensive experience of its promoters and management team. The board is led by Mr. Kush Kumar Joshi, Managing Director, and Mr. Ajaya Kumar Mudbhary, Director, both of whom possess over three decades of experience in the transformer, hydropower, construction, and related sectors. The promoters are supported by a team of technically qualified and experienced professionals, which aids in the company's operational efficiency and business development.

## **Moderate counter party risk and locational advantage**

NEEK generates majority of its revenue from the sales of distribution transformers to various governmental entities and domestic/foreign parties. The majority of orders executed by NEEK is attributable to Nepal Electricity Authority (NEA) resulting in moderate counter party risk as it is fully owned by Government of Nepal and has been regular in making payments to concerned parties. Furthermore, the counterparty risk associated with other parties are moderated to some extent, given its adequate credit policies and long standing relationship with its clients. NEEK's factory is located in the Hetauda district of Nepal, which is situated near Kathmandu, the primary market for NEEK's products. Also, its proximity to the Indo-Nepal Border, where raw materials are imported, offers a strategic advantage for logistical operations and management of the company.

## **Improved capital structure and coverage metrics**

NEEK's capital structure showed improvement, reflected in an overall gearing of  $\sim 1.61x$  as of mid-July 2025 ( $\sim 1.96x$  in FY24), driven by the decrease in working capital borrowings. Similarly, the Total Outside Liabilities to Tangible Net Worth ratio (TOL/TNW) also showed marginal improvement to  $2.18x$  in FY25 from  $2.30x$  in FY24, following the reduction in the debt levels. Likewise, coverage ratio had also been improved with Interest coverage ratio of  $1.39x$  in FY25 from  $0.99x$  in FY24, primarily supported by the declination of interest expenses. Similarly, Debt service coverage ratio (DSCR) also marginally improved to  $1.23x$  in FY25 from  $1.21x$  as of FY25.

## **Key Rating Weaknesses**

### **Moderation in financial profile**

NEEK's TOI declined sharply by  $\sim 49\%$  to approximately  $\sim \text{NPR } 935 \text{ Mn}$  in FY25 from  $\sim \text{NPR } 1,830 \text{ Mn}$  in FY24. The declination was on account of the absence in large-scale project executions of NEA in FY25 and project sales to private party having low contract value. Despite the decline in revenue, NEEK's EBITDA margin increased to  $\sim 10\%$  in FY25 from  $\sim 6\%$  in FY24, primarily driven by higher margin private parties sales compared to competitively bid government tender contracts. However, PAT margin continued to remain modest at  $\sim 0.64\%$  in FY24 and  $\sim 0.27\%$  in FY25. Consequently, the Gross Cash Accruals (GCA) of NEEK was  $\sim \text{NPR } 19 \text{ Mn}$  in FY25 vis-à-vis  $\sim \text{NPR } 23 \text{ Mn}$  in FY24. NEEK's capacity utilization also continued to remain modest at  $\sim 7\%$  as of mid-July 2025 ( $\sim 17\%$  in FY24), following the completion of major tender based orders of NEA. However, the moderation in NEEK's financial profile is partly mitigated by a healthy order book of  $\sim \text{NPR } 957 \text{ Mn}$  as of mid-May 2026, providing mid-term revenue visibility over FY26–FY27.

### **Exposure to raw material prices volatility and foreign exchange rates**

NEEK imports cold rolled grain oriented (CRGO) silicon steel, transformer oils, transformer tanks from India while copper wires are typically sourced from the domestic market. These raw materials correspond to  $\sim 70\text{-}85\%$  of the total production costs and prices of these raw materials are highly volatile in nature as prices are guided by international demand-supply scenario due to their global linkages. This exposes NEEK to any major adverse raw material price fluctuations. Nevertheless, the

presence of supplier agreement for copper wires for significant portion of the outstanding order in hand provides comfort to an extent. Furthermore, NEEK is exposed to foreign exchange fluctuation risk due to the mismatch in currency, as majority of its key raw materials are imported (in USD) while significant portion of the revenue is realization in local currency.

## Competitive industry with working capital intensive nature of operations

The company's working capital intensity remained elevated at around ~64% in FY25, compared to ~42% in FY24. The increased working capital requirement was primarily driven by higher inventory holding, as reflected in the average inventory period of ~174 days in FY25 against ~146 days in FY24. NEEK generally maintains a high level of inventory to ensure the availability of key raw materials and finished transformers during periods of heightened demand, as well as to support uninterrupted production and timely execution of orders. The average collection period also increased significantly to ~109 days in FY25 from ~55 days in FY24 on account of increase in private party sales who carry longer credit periods compared to previous government projects, while the average creditor period declined to ~31 days from ~82 days during the same period. As a result, the operating cycle elongated substantially to ~252 days in FY25 from ~118 days in FY24, indicating higher working capital blockage in the business.

**Analytical Approach:** Standalone

## Applicable Criteria:

[Corporate Credit Rating Methodology](#)

## Past Rating Rationale:

[Nepal Ekarat Engineering Company Private Limited: Bank Facilities Rating Revised and removed from Issuer Not Cooperating category with notice of withdrawal](#)

## About the Company:

Incorporated on January 1991, NEEK is a private company having its plant located at Thana Bharyang, Hetauda for manufacturing distribution transformer with total installed capacity of 18,000 units per annum (in terms of 100 kVA transformers). The company manufactures distribution transformers in a range between 1kVA and 10 MVA and voltage up to 132kV.

## Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	1,447	2,463	1,830	935
EBITDA Margin (%)	9.62	5.53	6.24	10.34
Interest Coverage Ratio (x)	2.78	1.17	0.99	1.39
Total Debt/EBITDA (x)	5.66	5.13	7.04	6.87
Current Ratio (x)	1.13	1.13	1.16	1.63
Overall Gearing Ratio (x)	2.24	1.74	1.96	1.61

\*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)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	377.35	IRN BB
Fund Based Bank Facilities- Short Term Loan	Short Term	10.00	IRN A4
Non Fund based Bank Facilities- LC/BG <sup>1</sup>	Long Term/ Short Term	1,125.00	IRN BB/A4
<b>Total Facilities</b>		<b>1,512.35</b>	

<sup>1</sup>Letter of Credit/Bank Guarantee



# Infomerics Credit Rating Nepal Limited

## Analyst Contacts

### Mr. Raunak Mulmi

Tel No. +977-1-4583304/4585906

[raunak.mulmi@infomericsnepal.com](mailto:raunak.mulmi@infomericsnepal.com)

### Mr. Pradosh Aryal

Tel No. +977-1-4583304/4585906

[pradosh.aryal@infomericsnepal.com](mailto:pradosh.aryal@infomericsnepal.com)

## Relationship Contact

### Mr. Rabin Pudasaini

Tel No. +977-1-4583304/4585906

[rabin.pudasaini@infomericsnepal.com](mailto:rabin.pudasaini@infomericsnepal.com)

## About Infomerics Credit Rating Nepal Limited:

Infomerics Credit Rating Nepal Ltd. 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 Rating Private Limited (Infomerics India) which is a SEBI registered and RBI accredited Credit Rating Agency licensed in 2015. Infomerics Nepal aims to provide investors with objective analysis and evaluation of credit worthiness of Banks, NBFCs, Large Corporates and Small and Medium Scale Units (SMUS) via its rating and grading services. Thus, it is playing a key role in serving the financial markets by reducing the information asymmetry among varied lenders and investors and facilitating borrowers/issuers to various fundraising opportunities/avenues. Infomerics observes and maintains ethical standards in its activities. For more information, visit <https://infomericsnepal.com/>

## Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: [info@infomericsnepal.com](mailto:info@infomericsnepal.com)

Web: [www.infomericsnepal.com](http://www.infomericsnepal.com)

**Disclaimer:** Ratings assigned by Infomerics Nepal are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics Nepal reserves the right to change, suspend or withdraw the credit ratings at any point in time. Ratings assigned by Infomerics Nepal are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics Nepal is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.