PRESS RELEASE

HULAS INFRA LIMITED

March 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BBB- (Is)	Reaffirmed
Long Term Bank Facilities	2,159.24 (enhanced from 1,668.02)	IRN BBB-	Reaffirmed
Short Term Bank Facilities	1,656.00 (enhanced from 1,462.00)	IRN A3	Reaffirmed
Total	**3,815.24**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BBB- (Triple B Minus) to the long-term bank facilities of NPR 2,159.24 Mn and IRN A3 (A Three) to the short-term bank facilities of NPR 1,656.00 Mn.
Also, Infomerics Nepal has reaffirmed the issuer rating of IRN BBB- (Is) [Triple B Minus (Issuer)]. Issuers with this rating are considered to have the moderate degree of safety regarding timely servicing of financial obligations.

Detailed Rationale

The reaffirmation of ratings assigned to Hulas Infra Limited (HIL) and its bank facilities continue to derive comfort from its strong promoter group- "Hulas Group" which brings extensive experience in steel manufacturing and trading. The ratings also factor in HIL's association with Hulas Iron Industries Limited (HIIL) and the group's strong industry presence, which provides raw material support, efficient logistics, and a competitive edge in the PEB segment. Moreover, HIL has demonstrated strong profitability, with EBITDA margins improving significantly to ~24% in FY25, reflecting better cost efficiencies and operational leverage.
Nonetheless, the ratings are constrained by a moderate capital structure, with overall gearing ratio at 1.65x as of mid-January 2026, and debt coverage indicators that remain moderate, with DSCR at 1.63x and interest coverage at 2.50x in FY25. Additionally, liquidity is stretched due to working capital-intensive operations, and the company remains exposed to raw material price volatility and regulatory risks. Going forward, the ability of HIL to sustain its profitability while further improving its leverage position and adequate debt coverage metrics alongside prudential working capital management would remain key rating sensitivities. Also, the ability of the company to timely conclude IPO issuance and its utilization as envisaged will remain key monitorable.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong group support

HIL, promoted by the Hulas Group, draws strength from the group's nearly four decades of experience in manufacturing a diverse range of steel products. The company is governed by a four-member Board of Directors comprising seasoned businessmen and industrialists with extensive expertise in manufacturing and trading. The Board is chaired by Mr. Sharad Golchha, who possesses more than a decade of experience across the steel, cement, and construction sectors, and is also involved in overseeing operations at other group entities. Additionally, Mr. Chandra Kumar Golchha, Director, brings over four decades of experience in manufacturing and trading, having previously served as Managing Director of Hulas Steel Industries Limited and currently holding executive positions within other Hulas Group companies.

Establish brand name and synergies from backward integration with group company
The companies of the Group include Hulas Iron Industries Limited (HIIL) which is involved in producing complementary iron and steel products such as HR sheets, HR slits, CR clits, Hot rolled plates etc. This results in synergetic effect as the company has been receiving support in fulfilling its raw material requirements along with management of logistics with both the plants being strategically located near the Indio-Nepal Border and in proximity to each other. Additionally, the company's strong and well-established group profile, particularly within the steel industry, coupled with robust corporate relations, has enabled the company to differentiate itself from its competitors and secure orders especially for its Pre Engineered Building (PEB) segment.

Strengthening financial performance and profitability
HIL reported materially stronger operating performance in FY25, with Total Operating Income (TOI) increasing by ~32% y-o-y, rising to NPR 2,138 Mn, reflecting continued business scale-up driven by diversification into higher value added finished goods; supported by a significant improvement in EBITDA to NPR 513 Mn and a higher EBITDA margin of ~24% (~14% in FY24), indicating better cost efficiency and operating leverage. PAT increased to NPR 196 Mn with a broadly stable margin of ~9%, supported by higher operating profit despite increased finance costs and depreciation, while Gross Cash Accruals (GCA) surged to NPR 560 Mn, substantially enhancing internal cash generation and debt servicing capacity. Similarly, HIL maintained a strong performance trajectory, reporting TOI of NPR 1,112 Mn, EBITDA of NPR 218 Mn with a healthy margin of ~20%, and PAT margin of ~9% in H1FY26, reflecting sustained profitability and operational stability.

Key Rating Weaknesses

Moderate capital structure and debt service coverage indicators
HIL’s overall gearing ratio improved to 1.43x as of mid-July 2025 from 3.80x as of mid-July 2024 and remained moderate at 1.65x as of mid-January 2026 while TOL/TNW (Total Outside Liabilities/Tangible Net worth) improved to 1.67x in FY25 from 5.67x in FY24 and recorded at 1.75x in H1FY26, supported by higher net worth due to accretion owing to capital infusion by promoters and PE/VC[1] firms coupled with enhanced profitability. DSCR stood at 1.63x and interest coverage ratio moderated to 2.50x in FY25 on account of higher interest costs. The ability of the company to maintain and further improve its leverage position and debt protection metrics will remain key monitorable.

Working Capital intensive nature of operations
HIL’s working capital utilization averaged ~94% as of mid-July 2025, reflecting high use of sanctioned limits with moderate liquidity cushion. The liquidity position remains stretched, characterized by persistently high working capital intensity, which further increased to ~100% as of mid-July 2025 from ~70% a year earlier, primarily due to elongated inventory and debtor cycles. Average receivable days rose to 151 days in FY25 (108 days in FY24), while inventory holding days increased to 240 days in FY25 (218 days in FY24), driven by advance procurement of raw materials to safeguard against supply side risks and longer lead times. Further, the nature of the production cycle involves manufacturing components in advance and holding them in stock until final assembly. Creditor days decreased during the period, putting additional pressure on working capital. Consequently, the operating cycle lengthened significantly to 251 days in FY25 from 103 days in FY24, underscoring the structurally high working capital requirements of the business and weighing on the company’s overall liquidity profile.

Input price volatility risk with exposure to regulatory risk
The cost of raw materials for HIL is susceptible to volatility, primarily due to the global linkages of steel items. These fluctuations are transferred to the company through its domestic suppliers, and

[1] Private Equity/Venture Capital

certain crucial raw materials are directly imported from India. These risks are further heightened since the cost of raw materials corresponds to >70% of the total operating income. Hence, any significant changes in pricing of its raw materials would have a bearing on secondary steel manufacturers like HIL.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology
Corporate Credit Rating Methodology

Past Rating Rationale:
Hulas Infra Limited: Bank Facilities Rating Revised and Issuer Rating Assigned

About the Company:
Hulas Infra Limited (HIL) was initially incorporated as a private limited company on July 19, 2011 and subsequently converted to a limited company on July 16, 2023. HIL is a secondary steel producer and is involved in the designing, fabrication and commencement of Pre- Engineered Buildings (PEB), shutter Patti, Hot Rolled Coils and FG-Tube among others. Mr. Chandra Kumar Golchha holds majority stake in HIL with ~31% share, followed by M/s Avasar Equity Diversified Fund (~17%) and Mr. Sharad Golchha, Mr. Bharat Golchha, and Mr. Abhigyan Golchha each holding ~12% share.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	H1FY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	116	268	1,619	2,138	1,112
EBITDA Margin (%)	23.39	19.20	14.35	24.01	19.58
Interest Coverage Ratio (x)	1.92	1.56	3.74	2.50	2.69
DSCR (x)	1.82	1.49	2.23	1.63	NA
Overall Gearing Ratio (x)	4.33	2.89	3.80	1.43	1.65
Total Debt/ EBITDA (x)	43.51	29.40	11.12	5.58	15.95
Current Ratio (x)	1.50	1.25	1.16	1.89	1.76
TOL/TNW (x)	6.11	4.47	5.67	1.67	1.75

**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	Types of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities – Term Loan	Long Term	1,868.39	IRN BBB-
Fund Based Bank Facilities – Permanent Working Capital Loan	Long Term	290.85	IRN BBB-
Fund Based Bank Facilities – Short Term Loan	Short Term	456.00	IRN A3
Non-Fund Based Bank Facilities – Short Term Loan	Short Term	1,200.00	IRN A3
Total Facilities		**3,815.24**	

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About Infomerics Credit Rating Nepal Limited:
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