

PRESS RELEASE

SUMO CONSTRUCTION AND ENGINEERING PRIVATE LIMITED

July 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	651.23 (Enhanced from 344.00)	IRN BB-	Reaffirmed
Short Term Bank Facilities	120.00 (Reduced from 356.00)	IRN A4	Reaffirmed
Long Term/Short Term Bank Facilities	300.00	IRN BB-/A4	Reaffirmed
Total	1,071.23		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB- (Double B Minus) assigned to the long term bank facilities of NPR 651.23 Mn, the rating of IRN A4 (A Four) to the short term bank facilities of NPR 120.00 Mn and IRN BB- (Double B Minus) /A4 (A Four) to the long term/short term bank facilities of NPR 300.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Sumo Construction and Engineering Private Limited (SCPL) take into account the its significant order book position, driven by the signing of civil contracts for the under-construction 160 MW Lapche Khola Hydropower Project, which has increased its order book to approximately NPR 7.52 billion as of mid-June 2026, which is 5.73x the TOI, providing medium-term revenue visibility. The receipt of mobilization advances has enabled SCPL to substantially downsize its long-term and short-term debt, resulting in a strengthened capital structure, as demonstrated by an improved overall gearing ratio of 1.50x as of mid-July 2025 compared to 2.94x in FY24 and 3.17x in FY23. The ratings continue to derive strength from SCPL's association with strong promoter group (MV Dugar Group), experienced promoter and management team in construction fields with its established track record of operations as evidenced by successful completion and operation of three separate hydropower projects aggregating to ~114 MW. The ratings also continue to factor in escalation clauses in the major raw materials, low counter-party risk and moderate coverage indicators.

These rating strengths, however, continues to remain constrained by moderation in its operating income with Total Operating Income (TOI) further contracting by ~59% in FY25 primarily due to low project execution during the year with revenue derived from only road construction under newly awarded projects. Also, the company was able to book only ~NPR 650 Mn during 10MFY26, which is ~1% of the TOI of FY25. The sharp decline in TOI led to significant pressure on profitability, resulting in declined EBITDA margin to ~15% in FY25 (~27% in FY24) and a net loss during FY25. The ratings also take note of moderation in coverage indicators as indicated by Debt Service Coverage Ratio (DSCR) of ~0.12x as of mid-July 2025 from ~0.27x in FY24 and Interest coverage ratio of ~1.07x as of FY25 from ~2.32x in FY24. Additionally, the ratings also remain constrained by the working capital-intensive nature of SCPL's operations evidenced by elongated operating cycle (~301 days in FY25 vis-à-vis ~163 days in FY24), primarily due to prolonged inventory holding period of ~297 days in FY25 compared to ~168 days in FY24, stemming from stock accumulation with respect to slower execution of current active projects. Furthermore, the ratings also note SCPL's exposure to project execution risk, interest rate volatility risk and defect liability risk. Going forward, the ability of the company to improve its scale of operations, properly execute its contracts with timely realization while maintaining its profitability margins will be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Adequate order book position with mid-term revenue visibility

As of mid-Mid June 2026, the unexecuted orders in hand of the company stood at ~NPR 7,520 Mn. The company's order book position remains sufficient as of Mid-June 2026, with an unexecuted order in hand 5.73x to the total operating income in FY25(A). Furthermore, the order book reflects mid-term revenue visibility as most of the projects are scheduled to be completed within next one year whereas civil works contract for Lapche Khola Hydropower is set to be completed within next 2-3 years.

Strong promoter group with established track record of operations

The company is a part of MV Dugar Group, owned by Mr. Vivek Dugar who has wide experience of over 3 decades in various sectors. MV Dugar Group is diversified towards various sectors mainly hydropower, automobiles, banking and insurance sector. Mr. Dugar is supported by experienced management team. SCPL has completed 3 hydropower projects namely Numbur Himalaya Hydropower Limited, Global Hydropower Associate Limited and Pan Himalaya Energy Limited under the same group in the past.

Improved capital structure albeit moderation in coverage indicators

SCPL's capital structure improved in FY25 following the signing of the civil works contract for the Lapche Khola Hydropower Project. The mobilization advance received against the project was largely utilized for debt repayment, resulting in a reduction in overall debt levels in FY25. Consequently, the overall gearing ratio improved to ~1.50x as of FY25 from ~2.94x as of FY24. Despite the improvement in leverage indicators, debt coverage metrics weakened due to the sharp decline in operating performance during the year. The substantial reduction in project execution led to lower EBITDA, leading the interest coverage ratio to decline to ~1.07x in FY25 from ~2.32x in FY24. Similarly, the DSCR moderated to ~0.12x in FY25 from ~0.98x in FY24. Nevertheless, the coverage indicators are expected to improve over the medium term, supported by the anticipated ramp-up in execution of the Lapche Khola Hydropower Project leading to improved revenue generation and cash flows.

Key Rating Weaknesses

Declining total operating income

The company's Total Operating Income (TOI) declined sharply by ~59% to ~NPR 641 Mn in FY25 from ~NPR 1,574 Mn in FY24. The decline was primarily driven by lower project execution during the year, with revenues largely generated from a relatively small road construction package under the Nasa Hydropower Project, which carries a lower contract value. However, the company has secured the higher-value civil works package under the same project, the execution of which is expected to ramp up over the medium term, supporting an improvement in the scale of operations and overall financial profile. The reduced operating scale resulted in lower absorption of fixed overheads, leading to a moderation in the EBITDA margin to ~14% in FY25 from ~27% in FY24. Consequently, SCPL reported a net loss during the year, with the PAT margin deteriorating to negative ~21.5% from ~0.9% in FY24. The decline in profitability also weakened internal cash generation, with Gross Cash Accruals (GCA) reducing significantly to ~NPR 6 Mn in FY25 from ~NPR 221 Mn in FY24. Going forward, the timely execution of the recently secured higher-value contracts, along with the company's ability to improve operating profitability and cash accruals, will remain key rating sensitivities.

Working Capital intensive nature of business

The operations of the company are working capital intensive in nature marked by elongated operated cycle of 301 days in FY25 vis-à-vis 167 days in FY24. The company's collection period is ~81 days in FY25 (~66 days in FY24), inventory holding period is ~297 days at the end of FY25 (~168 days in FY24). The increase in the inventory period was primarily due to the procurement of construction materials for the newly awarded Nasa Hydropower Project. Although project's civil works have commenced and ~10% has been completed till mid-June 2026, the pace of execution remained slower than expected leading to the lower inventory turnover. However, owing to delays in the execution of the project's civil works, the inventory remained unutilized for a longer period, this has caused the increased in operating cycle to ~301 days in FY25 from ~163 days in FY24.

Interest rate and defect liability risk

The Interest rates on deposits and borrowing remain a significant factor in the Nepalese economy. In line with NRB's directives, the BFIs typically charge an interest rate on loans by adding a premium to the base rates which is revised on a quarterly basis. The interest rates charged by BFIs have been historically volatile over the past 2-3 years and thus borrowing from banks and financial institutions exposes SCPL to the risk of interest rate volatility. Further, the organization 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 1 -2 year for majority of projects.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Link to past rating rationale:

[Sumo Construction and Engineering Private Limited: Bank Facilities Ratings Reaffirmed](#)

About the Company:

Sumo Construction and Engineering Private Limited (SCPL) is a construction company in Nepal mainly into the development of hydropower projects. The company was registered with Office of Company Registrar on June 7 2009 as one-man private limited company. The company is promoted by a single director, Mr. Vivek Dugar holding entire shareholding of the company.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	3,361	2,558	1,574	641
EBITDA Margin (%)	14.19	15.49	27.15	14.30
Interest Coverage Ratio (x)	2.30	1.84	2.32	1.07
Current Ratio (x)	0.92	1.22	1.25	0.87
Overall Gearing Ratio; Excl. Mobilization advance (x)	3.35	3.17	2.94	1.50
TOL/TNW (x)	7.79	5.55	4.65	7.45
DSCR (x)	0.99	0.84	0.98	0.12

* Classification as per Infomerics Nepal Standards

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

Annexure 1: Details of Facilities

Instrument/Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities- Permanent Working Capital Loan	Long-Term	318.84	IRN BB-
Long Term Bank Facilities – HP Loan	Long Term	2.39	IRN BB-

Instrument/Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities – Term Loan	Long Term	330.00	IRN BB-
Short Term Bank Facilities- Overdraft Loan	Short-Term	120.00	IRN A4
Long Term/ Short Term – Letter of Credit	Long-Term/ Short-Term	300.00	IRN BB-/A4
Total		1,071.23	

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About Infomerics Credit Rating Nepal Limited:

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