PRESS RELEASE

HIGHTENSION SWITCHGEARS PRIVATE LIMITED

August 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	20.00	IRN BB-	Assigned
Short Term Bank Facilities	150.00 (enhanced from 140.00)	IRN A4	Reaffirmed
Long Term/Short Term Bank Facilities	1,830.00 (reduced from 1,860.00)	IRN BB-/A4	Downgraded from IRN BB/A4
Total	**2,000.00**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB- (Double B Minus) to the long term bank facilities of NPR 20.00 Mn, reaffirmed IRN A4 (A Four) to the short term bank facilities of NPR 150.00 Mn and also revised the rating to IRN BB-/A4 (Double B Minus/A Four) from IRN BB/A4 (Double B/A Four) assigned to the long term/short term bank facilities of NPR 1,830.00 Mn.

Detailed Rationale

The revision of the ratings assigned to the bank facilities of Hightension Switchgears Private Limited (HTSG) factor in the moderation of the company's operating scale and volatility in its financial performance, with Total Operating Income (TOI) declining to NPR 484 Mn in FY25 and further to NPR 256 Mn in FY26, due to lower order book position. EBITDA margin improved to 17.34% in FY26 from 8.38% in FY25, primarily due to a timing difference in the recognition of revenue for a power transformer project, while a significant portion of the related project costs had already been incurred in the previous period. Similarly, PAT margin increased to 42.64% in FY26 from 4.26% in FY25, supported by the recognition of the company's share of profit from the joint venture. The ratings also factor in the company's working capital intensive operations, modest order book position providing moderate near term revenue visibility, and intense competition in the EPC industry.
Nonetheless, the ratings continue to factor in the company's established track record in the execution of power transmission and substation EPC projects, backed by its experienced promoters and management team and longstanding relationship with Nepal Electricity Authority (NEA). The ratings also draw comfort from the company's moderate capital structure, with the overall gearing ratio improving to 1.65x as of mid-July 2026 from 4.08x at the end of FY25 and DSCR improving to 4.74x from 3.31x, supported by higher cash accruals arising from the recognition of the company's share of profit from a joint venture. Going forward, HTSG's ability to strengthen its order book, execute projects in a timely manner, and maintain its financial risk profile will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters, established execution track record and reputed clientele

HTSG benefits from the extensive experience of its promoters and management team, led by Chairman Mr. Dwarika Shrestha and Managing Director Mr. Rajendra Kumar Agrawal, each having over three decades of experience in the EPC contracting business. The promoters are supported by Directors Mr. Naresh Kumar Agrawal and Mr. Anil Agrawal, who oversee project execution, along with an experienced technical team led by Senior Electrical Engineer Mr. Ritesh Tamrakar, who has more than two decades of experience in the installation and commissioning of low, medium, and high voltage electrical equipment. Backed by its experienced management team, HTSG has established a strong execution track record in power transmission and substation EPC projects and has developed a longstanding relationship with NEA, its key client. The company has also executed projects funded by multilateral agencies such as the World Bank, Asian Development Bank (ADB), and the Danish Government. Further, HTSG's business profile is supported by its status as an authorized distributor of GE Vernova Grid Solutions products in Nepal, enabling it to supply genuine spares for power transmission and substation projects.

Moderate capital structure

HTSG's capital structure remained moderate, albeit with fluctuations in debt levels in line with project execution requirements. Total debt increased to NPR 402 Mn as of FY25 from NPR 200 Mn as of FY24, primarily due to higher working capital borrowings and LC payable, before declining to NPR 299 Mn as of FY26. Thus, the overall gearing ratio deteriorated to 4.08x as of FY25 from 1.06x as of FY24, before improving to 1.65x as of FY26, supported by lower debt levels and an improvement in tangible net worth. Similarly, Total Outside Liabilities/Tangible Net worth (TOL/TNW) ratio increased to 4.89x as of FY25 from 2.87x as of FY24, before moderating to 2.15x as of FY26. Furthermore, the interest coverage ratio declined to 4.42x in FY25 from 5.56x in FY24, and further to 1.50x in FY26, primarily due to higher average borrowings during FY26, as a significant portion of the outstanding debt was repaid only towards the end of the financial year, resulting in elevated finance costs. DSCR moderated to 3.31x in FY25 from 4.41x in FY24, before improving to 4.74x in FY26, largely supported by higher cash accruals arising from the recognition of the company's share of profit from the joint venture.

Moderate counterparty risk

HTSG is exposed to moderate counter party payment risk pertaining to its key employer, NEA). NEA had consecutive losses up to FY16 resulting negative reserves up to FY19. However, with profit earned from FY17, NEA had accumulated profit in its book from FY20. Also, the counter party payment risk is moderated by the fact that, NEA is fully owned by Government of Nepal, and generating positive gross cash accruals. Further, NEA has been making timely payment to vendors and independent power producers (IPPs) in past.

Key Rating Weaknesses

Moderation in operating scale and volatility in financial performance

HTSG's financial performance remained volatile, reflecting the order book driven nature of its EPC business. TOI declined sharply to NPR 484 Mn in FY25 from NPR 2,130 Mn in FY24, primarily due to a lower order book position, resulting in subdued project execution. TOI further declined to NPR 256 Mn in FY26. The subdued revenue in FY26 was also attributable to the accounting treatment of a power transformer project executed through a joint venture in which the company holds a 95% stake reflecting the recognition of company's share of profit from the joint venture in the standalone financial statements in FY26. Furthermore, EBITDA margin remained moderate at 8.38% in FY25 (FY24: 8.92%) and improved to 17.34% in FY26, primarily due to a timing difference in the recognition of revenue for a power transformer project, while a significant portion of the related project costs had already been incurred in the previous period. The company reported a PAT of NPR 21 Mn in FY25 (PAT margin: 4.26%) compared to NPR 116 Mn in FY24 (PAT margin: 5.44%), owing to lower project execution and the consequent decline in operating profitability. PAT increased to NPR 109 Mn in FY26 (PAT margin: 42.64%), primarily supported by the recognition of NPR 99 Mn as the company's share of profit from the joint venture, which also resulted in Gross Cash Accruals (GCA) increasing to NPR 110 Mn in FY26 from NPR 21 Mn in FY25.

Working capital intensive nature of business

HTSG's operations remain working capital intensive, as reflected by the elongated inventory holding period and operating cycle, which is typical for EPC contractors executing large substation projects. The average inventory holding period increased to 256 days in FY25 and further to 321 days in FY26, primarily due to the stocking of strategic project equipment, including transformers, switchgears, conductors, insulators, cables and other electrical materials procured in advance to ensure timely project execution. The average collection period remained comfortable at 15 days in FY25 and improved further to 7 days in FY26, while the average creditor period increased from 40 days to 71 days, providing partial funding support for working capital requirements. Therefore, the operating cycle elongated to 232 days in FY25 and 257 days in FY26, highlighting the inherently working capital intensive nature of the business.

Modest order book position with near term revenue visibility
HTSG's outstanding order book stood at ~NPR 750 Mn as of July 2026, equivalent to ~2.9x its FY26 operating income albeit low compared to earlier sales level achieved, providing moderate near term revenue visibility. The outstanding work primarily comprises projects awarded by the NEA, with execution expected largely over FY27. Going forward, HTSG's ability to improve its order book position through successful bidding for upcoming NEA projects and timely execution of the awarded contracts will remain a key monitorable.

Intense Competition and lack of escalation clause in majority of the contracts
The construction industry is highly competitive due to dispersed and unorganized nature of the construction industry and typically companies lowball to win government and private contracts. HTSG is required to bid for public projects which creates uncertainty regarding future revenue inflows. HTSG procures the electrical equipment through various local and international vendors. Typically, the company is responsible for the procurement, delivery, installation, testing and commissioning of a project. The prices of electrical equipment are subject to volatility especially due to change in demand and supply conditions, variation in prices of components and raw materials of the electrical equipment. HTSG's standard contracts with NEA does not include escalation clauses and thus the company is obliged to complete the contract within their initial bid. In the event of a material change in the cost of the items sold, the absence of escalation clauses could substantially affect HTSG's profitability and project execution capabilities.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

Past rating rationale:
Hightension Switchgears Private Limited: Bank Facilities Rating Reaffirmed

About the Company:
Hightension Switchgears Private Limited (HTSG) was incorporated on August 18, 1988 with its registered office in A. T. Complex, Kathmandu, Nepal. HTSG is a construction company and it operates in the EPC (Engineering, Procurement and Construction) model. HTSG has been catering to the transmission and distribution needs of Nepal Electricity Authority along with other vendors. It specializes in supply, delivery, installation, testing and commissioning of electrical equipment such as substation equipment, switchgears, control panels, transmission and other power installations. The company is promoted by four individual shareholders. As of mid-July 2026, the shareholding structure reflects ~35% ownership by Mr. Rajendra Kumar Agrawal.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	507	1,227	2,130	484	256
EBITDA Margin (%)	11.74	9.11	8.92	8.38	17.34
Interest Coverage Ratio (x)	3.04	5.37	5.56	4.42	1.50

For the year ended* As on	FY22	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Audited	Unaudited
Current Ratio (x)	1.28	1.12	1.34	1.18	1.44
Total Debt/GCA (years)	6.55	6.62	1.72	18.95	2.71
Overall Gearing Ratio (x)	1.86	3.22	1.06	4.08	1.65
TOL/TNW (x)	3.35	5.26	2.87	4.89	2.15

**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)	Ratings
Long Term Bank Facilities- Fund Based Loans	Long Term	20.00	IRN BB-
Short Term Bank Facilities- Fund Based Loans	Short Term	50.00	IRN A4
Short Term Bank Facilities- Fund Based Loans (Proposed)	Short Term	100.00	IRN A4
Long Term/Short Term Bank Facilities- Non Fund Based Loans	Long Term/Short Term	1,830.00	IRN BB-/A4
Total Facilities		**2,000.00**	

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About Infomerics Credit Rating Nepal Limited:
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