PRESS RELEASE

JAGDAMBA STEELS LIMITED

August 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BBB (Is)	Reaffirmed
Long Term Bank Facilities	6,384.29 (Reduced from 8,011.89)	IRN BBB	Reaffirmed
Short Term Bank Facilities	39,840.00	IRN A3+	Reaffirmed
Total	**32,046.07**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BBB (Is) [Triple B (Issuer)]. Issuer with this rating is considered to have the moderate degree of safety regarding timely servicing of financial obligations. Such issuers carry moderate credit risk.
Also, Infomerics Nepal has reaffirmed the rating of IRN BBB (Triple B) assigned to the long-term bank facilities of NPR 6,384.29 Mn, and rating of IRN A3+ (A Three Plus) to the short-term bank facilities of NPR 39,840.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to Jagdamba Steels Limited (JSL) and its bank facilities continue to derive strength from JSL's strong operational foundation characterized by a long-established track record of operation, experienced promoters and management team, and a diversified product portfolio catering to a broad range of industries. The strategic initiatives, such as improving capacity utilization through backward integration and leveraging proximity to the Indian border, contribute to cost reductions and operational efficiency. Furthermore, the established brand recognition and market presence across the country enhance its competitive positioning.
However, the ratings strengths remained constrained by a leveraged capital structure and declining profitability margins during FY25. However, the proceeds from the initial public offering (IPO) are expected to support the company's gearing and coverage indicators, assuming full subscription. Additionally, the working capital-intensive nature of the business requires significant liquidity to maintain operations, which can strain cash flows. The volatility in raw material prices and exposure to regulatory and foreign exchange risks further complicate its financial stability, as fluctuations in commodity prices and currency values may have a direct impact on its margins. Also, the steel industry's intense competition also possess pressure on pricing power, potentially impacting profitability. Despite these challenges, the company benefits from government support for the production sector, which provides some cushion against market fluctuations.
Going forward, the ability of the company to improve its capital structure and debt protection metrics, improving working capital management, and mitigating external risks, particularly those related to raw material costs and currency volatility along with the successful premium IPO raising, will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established and long track record of operations with experienced directors and management team

JSL, established in 1993 AD, has an operational track record of over three decades in manufacturing of various steel products. Furthermore, JSL is a part of Shanker Group and derives its strength from promoters having strong presence in Nepal through their group entities in various industries like steel, cement, polymers, trading, hospitality, insurance etc. JSL is managed by four-member board of directors who have wide experience in manufacturing sector. Mr. Shahil Agrawal, Chairman has over two decades of experience in trade and industry. He is also the Managing Director of Shanker Group and holds directorship in various other group companies. The management team is led by Mr. Anurag Sharma possessing around three decades of experience in relevant sector. Furthermore, the board is aptly supported by experienced key managerial personnel.

Moderate capacity utilization with backward integration, and flexible production pattern
JSL demonstrated a steady improvement in its production capacity and utilization over the past few years, despite facing some external challenges. While the average capacity utilization has been moderate at around 31.60% in FY25, it reflects the company's ability to expand and adjust to market conditions. JSL's installed capacity increased from 2,030,000 MTPA in FY21 to 2,444,000 MTPA in FY22 with the addition of a new CRM plant. The capacity utilization for Cold Rolled Products saw a significant increase, driven by a rise in demand.

Diversified product portfolio having usability to wide range of industries
JSL has diversified portfolio of iron & steel products that have varied usages across various industries. The company manufactures TMT bar, angles, section, pipes, shutter profile, coils, sheets, different wire products which are produced in various variants as per the demand in the market. The wide application not only diffuses the risk of dependency on a single industry but also allows the company to cater to a larger market with a broad customer base.

Established brand recognition and market presence across the country
JSL markets its products under a range of well-recognized brand names throughout Nepal, including prominent ones like "Jagdamba E," "Rhino 500D," "Jagdamba Super Shine," "Jagdamba Galva+," "Jagdamba Pipe," and "Jagdamba Wire." These established brands help create a strong brand identity, which in turn fosters consistent demand across various segments. The brand recognition provides a clear differentiation from competitors in the marketplace, reducing the impact of price fluctuations typically driven by competitive pressures. Additionally, JSL has developed a robust distribution network that spans the entire country, with sales primarily routed through a network of well-established dealers and strategically located depots, further strengthening its reach and customer accessibility. As of mid-April 2026, there are 407 number of dealers across seven provinces of Nepal.

Government support for production based industry and demand outlook of steels products
Nepal continues to position itself as a growing economy with a strong policy focus on infrastructure development and industrial expansion. The recent government budgets have emphasized sustainable and production-based growth, with continued support for export-oriented industries and domestic manufacturing. Incentives such as export subsidies on select products, concessions on electricity tariffs for high-energy-consuming industries, and tax rebates for large-scale employment generation remain key policy tools to promote industrial growth. Also, GoN has allocated NPR 407 Bn for various capital expenditures which indicates growing demand for construction materials like steel products in developing public as well as private infrastructures, road, bridges and other public facilities.

Key Rating Weaknesses

Leveraged capital structure
Total debt level of the company slightly decreased to NPR 21,788 Mn as on mid-July, 2025 compared NPR 22,587 Mn as on mid-July 2024 primarily with repayment of the term loan. Consequently, overall gearing ratio of the company decreased to 2.78x as of mid-July 2025 aided by improving tangible net worth of the company. Also, interest coverage ratio slightly improved to 1.04x in FY25 from 0.89x in FY24, whereas Total Debt to EBITDA and Total Debt to Gross Cash Accruals continued to remain elevated at 11.75x and 57.24x respectively during FY25 vis-à-vis 9.74x and 53.45x

respectively in FY24. With decrease in profitability, DSCR of the company further deteriorated to 0.85x as on FY25 compared to 0.92x as on FY24, which is however expected to improve on account of expected issuance of IPO at premium.

Declining financial performance amidst sluggish economy

JSL reported decrease in total operating income (TOI) in FY25 by ~12% to NPR 26,361 Mn primarily due to the suspension of exports to India following the imposition of import duties by the GOI. Owing to decrease in TOI, EBITDA of the company also decreased by ~20% to NPR 1,854 Mn with EBITDA margin deteriorated to 7.03% in FY25 compared to 7.80% in FY24. This resulted in a decline in PAT by ~22% in FY25, with the PAT margin reducing to 0.22% from 0.46% in FY24. Further, gross cash accruals (GCA) decreased to NPR 381 Mn in FY25 from NPR 423 Mn in FY24. The company's ability to improve its operational scale and profitability remain crucial.

Working capital intensive nature of business

JSL's liquidity profile remains stretched, as reflected in working capital utilization of around 60% as of mid-April 2026, indicating a relatively moderate dependence on working capital borrowings to support operations. Being an import-oriented business, the company is required to maintain adequate inventory levels, with payments largely made through letters of credit, resulting in lower creditor days. Consequently, the operating cycle has lengthened to 188 days in FY25 from 173 days in FY24.

Volatility in raw material price and exposure to regulatory risk

JSL primarily imports key raw materials, including HR/CR coils, wire rods, pig iron, and sponge iron, from countries such as India, China, the USA, and the UK. The prices of these materials are market-linked and adjusted periodically, exposing the company to fluctuations in raw material costs, which directly affect its profitability margins. In FY25, raw material expenses accounted for ~68% of the company's total operating income, making profitability highly sensitive to any changes in material prices. Additionally, JSL faces partial regulatory risk due to the policies of both Nepal and India. On 22nd May 2022, GoI[1] imposed tax of 15% on export of HR sheet which however decreased to 0% on 19th November 2022. Similarly, GoN[2] had raised the duty on import of iron rods to 10% with additional excise duty of NPR 3.50/ kg through budget FY23 which were revised to 5% import duty with additional excise duty of NPR 2.5/ kg. All these changes in the regulatory front, are expected to impact the performance of the company like JSL going forward.

Exposure to foreign exchange fluctuation risk and intense competition present in steel industry

JSL is exposed to foreign exchange risk due to a mismatch between its imported raw materials, which are priced in USD, and the sale of finished products in the local currency. While the company manages some of this risk through hedging instruments, it remains exposed, especially with its reliance on dollar-based Trust Receipt Loans and usance Letters of Credit. Moreover, the iron and steel industry is highly competitive, with both organized and unorganized players, limiting the ability of companies like JSL to set prices. The demand for iron and steel products is cyclical, and with the entry of new players and expansion of capacity by existing ones, the net realization prices of steel have declined, negatively affecting operating revenue and profits. Steel producers, particularly those in the construction materials segment, are largely price-takers, leaving them vulnerable to price fluctuations, which impacts their cash flow and profitability.

Analytical Approach: Standalone

[1]Government of India
[2] Government of Nepal

Applicable Criteria:
[Corporate Credit Rating Methodology]
[Issuer Rating Methodology]

Past Rating Rationale:
Jagdamba Steels Limited: Bank Loan Rating Reaffirmed and Issuer Rating Assigned

About the Company:
Jagdamba Steels Private Limited was incorporated on October 01, 1993, which later converted into Jagdamba Steels Limited (JSL) on July 14, 2022, and has a plant in Simara, Bara, Nepal for the manufacturing of various steel items with a total installed capacity of 2,444,000 MTPA. The manufacturing facilities of the company have been segregated into Cold Rolled Products, Rolling Mills Products, Wire Products, and Melting Products where a variety of products are manufactured and supplied through its ~407 dealers across Nepal (as on mid-April 2026). JSL is a part of the Shanker Group, having a strong presence in Nepal through its involvement in various industries.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	9MFY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	49,736	39,430	29,727	26,361	18,995
EBITDA Margin (%)	8.70	8.35	7.80	7.03	6.02
Interest Coverage Ratio (x)	2.19	1.17	0.91	1.04	1.14
Total Debt/ EBITDA (x)	5.25	6.06	9.74	11.75	19.20
Current Ratio (x)	1.21	1.17	1.24	1.23	1.15
Overall Gearing Ratio (x)	3.29	3.05	3.05	2.78	2.75

**Classification as per Infomerics Nepal standards*
Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Types of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	3,241.07	IRN BBB
Fund Based Bank Facilities- Permanent Working Capital Loan	Long Term	3,143.22	IRN BBB
Fund Based Bank Facilities- Short Term Working Capital	Short Term	18,300.00	IRN A3+
Non-Fund Based Bank Facilities- LC/BG[1]	Short Term	21,540.00	IRN A3+
Total Facilities		**32,046.07**	

[1]Letter of Credit/Bank Guarantee
** The limits of Permanent Working Capital Loan, Fluctuating Working Capital Loan (Fund based and non-fund based) are capped at the limit of NPR 28,805.00 Mn.*

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About Infomerics Credit Rating Nepal Limited:
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