PRESS RELEASE

RAUTAHA CONSTRUCTION PRIVATE LIMITED

August 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	216.75 (reduced from 221.91)	IRN BB	Reaffirmed
Short Term Bank Facilities	142.03 (enhanced from 132.50)	IRN A4	Reaffirmed
Long/Short Term Bank Facilities	4,454.50 (reduced from 4,588.48)	IRN BB/A4	Reaffirmed
Total	**4,813.28**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB (Double B) assigned to the long term bank facilities of NPR 216.75 Mn, the rating of IRN A4 (A Four) to the short term bank facilities of NPR 142.03 Mn and IRN BB/A4 (Double B/A Four) to the long term/short term bank facilities of NPR 4,454.50 Mn.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Rautaha Construction Private Limited (RCP) is primarily attributable to continued support from the company's experienced promoters and management team, who have an established track record in the construction sector. The ratings also factor in improving financial profile, marked by a ~30% growth in total operating income (TOI) increasing to ~NPR 628 Mn in FY25 from NPR 465 Mn in FY24, along with a marginal improvement in EBITDA margin. The ratings also consider moderate yet improving coverage indicators, with overall gearing ratio (including mobilization advances) improved to 2.52x at the end of FY25 from 3.18x in FY24 and improved interest coverage ratio of 2.52x in FY25, from 2.05x in FY24. The ratings also consider RCP's adequate order book position, which provides medium to mid-term revenue visibility, although it remains highly concentrated in highway expansion and upgradation projects.
However, these rating weaknesses are constrained by the company's working capital-intensive nature of operations, its presence in a competitive industry and exposure to government regulations. Going forward, the company's ability to successfully execute its ongoing projects while improving revenue growth and profitability margins, without any deterioration in its financial risk profile, will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and established track record of operations

RCP is one of the oldest construction companies with a rich history of more than 50 years and currently led by Mr. Dharma Raj Dahal, Executive Director, who has around two decades of experience in the field of construction. Similarly, the board consists of experienced promoters namely Mr. Dhirendra Kumar Dahal, Mr. Narendra Khatri and Mr. Rakesh Khatri. Furthermore, the board is backed by well experienced top management personnel across various departments having more than two decades of experience in the construction contracting business.

Improvement in financial performance albeit moderate debt coverage indicators

RCP's financial performance witnessed a moderate improvement in FY25, with Total Operating Income (TOI) increasing to ~NPR 628 Mn from NPR 465 Mn in FY24, reflecting a growth of ~30%.

EBITDA margins improved slightly to 15.70% in FY25 from 15.41% in FY24, indicating some enhancement in operational efficiency. This led to an increase in gross cash accruals to ~NPR 59 Mn in FY25 from ~NPR 52 Mn in FY24. The company's capital structure continues to remain moderately leveraged with the overall gearing ratio (including mobilization advances) of 2.52x in FY25, improved from 3.18x in FY24, supported by an increase in net worth and reduction in debt levels. Interest coverage also strengthened to 2.52x in FY25 from 2.05x in FY24. Additionally, the debt-to-GCA ratio improved to 7.98x from 10.72x, reflecting higher cash accruals. The debt service coverage ratio (DSCR) remained moderate at 1.56x in FY25, declined from 2.52x in FY24.

Adequate order book position with mid-term revenue visibility
As of March, 2026, the unexecuted orders in hand of the company stood at ~NPR 1,542 Mn (including RCP's share in JVs). RCP's order book position remains adequate with an unexecuted order in hand of 2x the operating income in FY25. Furthermore, the order book reflects mid-term revenue visibility as the projects are scheduled for completion within the next three years. However, the order book position remains concentrated towards highway expansion and upgradation projects which accounts for ~51% of the outstanding order book position and geographically concentrated in Koshi Province with ~74% of the outstanding order book position. Therefore, the company's ability to secure extensions and ensure timely project completion will remain key monitorable.

Key Rating Weaknesses

Working capital intensive operations

RCP's operations remain inherently working capital intensive, given its reliance on government contracts where payments are typically expected within 1–2 weeks of final bill submission. However, significant delays in government disbursements have led to a sharp increase in the average collection period, although still elevated, improved to 211 days in FY25 from 246 days in FY24, mainly due to the realization of previously overdue receivables. Similarly, the average creditor period improved marginally to 96 days in FY25 from 106 days in FY24. Consequently, the working capital cycle shortened to 160 days in FY25 from 179 days in FY24. Further, working capital intensity declined significantly to 62% in FY25 from 103% in FY24, indicating a relatively lower dependence on working capital financing.

Existence in a competitive industry with exposure to government regulation and defect liability risk

RCP operates in a competitive industry heavily influenced by government regulations, with most of its contracts secured through a competitive bidding process. The company is also reliant on stable government and fiscal policies, including capital expenditure. Recent government regulations limit contractors to five contracts at a time, but the restriction on foreign companies bidding for contracts up to NPR 5,000 Mn favors domestic contractors. Therefore, RCP's ability to secure new projects while maintaining profit margins is critical. Additionally, interest rate fluctuations and the risk of financial losses due to defects identified during the defect liability period (1 year for most projects, 5 years for design-build projects) expose RCP to financial risks.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

Past Rating Rationale:
Rautaha Construction Private Limited: Bank Facilities Rating Assigned

About the Company:
Rautaha Construction Private Limited (RCP) was registered as a proprietorship firm in 1977 and later

registered in Department of Cottage and Small industries on January, 2006. RCP is "A" class construction company since July 2016. The company has an established track record of operations and has successfully completed over 135 projects in the last ten years related to roads, bridges, irrigation, river training, railroads and building constructions among others.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	488	568	1,011	465	628
EBITDA Margin (%)	20.72	17.93	11.09	15.41	15.70
Interest Coverage Ratio (x)	2.92	2.93	2.47	2.05	2.52
Current Ratio (x)	1.21	1.42	1.15	1.57	1.35
Total Debt/GCA (years)	7.47	7.26	5.50	10.72	7.98
DSCR (x)	2.65	2.68	2.59	2.52	1.56
Overall Gearing Ratio (x)	2.67	1.95	1.97	2.57	1.90

Earnings before Interest Tax Depreciation Amortization (EBITDA)
Debt Service Coverage Ratio (DSCR)
**Classification as per Infomerics Nepal standards*

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn.)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	216.75	IRN BB
Fund Based Bank Facilities- Working Capital Loan	Short Term	142.03	IRN A4
Non-Fund Based Bank Facilities- LC/BG[1]	Long Term/ Short Term	4,454.50	IRN BB/A4
Total Facilities		**4,813.28**	

[1]Letter of Credit/Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:
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For more information, visit https://infomericsnepal.com/

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