PRESS RELEASE

SONAPUR MINERALS AND OIL LIMITED

August 2026

Ratings

Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BB+ (Is)	Upgraded from IRN BB (Is)
Long Term Bank Facilities	6,388.49 (enhanced from 6,291.69)	IRN BB+	Upgraded from IRN BB
Short Term Bank Facilities	2,272.00 (enhanced from 1,599.00)	IRN A4+	Upgraded from IRN A4
Total	**8,660.49**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the issuer rating to IRN BB+(Is) [Double B Plus (Issuer)] from IRN BB(Is) [Double B (Issuer)], the rating assigned to long-term bank facilities of NPR 6,388.49 Mn to IRN BB+ [Double B Plus] from IRN BB [Double B], and the rating assigned to short-term bank facilities of NPR 2,272.00 Mn to IRN A4+ [A Four Plus] from IRN A4 [A Four].

Detailed Rationale

The upgrade in ratings assigned to Sonapur Minerals and Oil Limited (SONA) and its bank facilities is primarily driven by the significant improvement in the company's financial performance, debt protection metrics and capital structure. SONA's profitability improved significantly, with EBITDA margin increasing to 23.96% in FY26 while PAT margin improved to 7.63%, supported by higher cement sales volume and improved price realization. Similarly, the company's overall gearing ratio improved to 1.25x as of mid-July 2026 while DSCR strengthened to above unity i.e. 1.28x indicating improved debt servicing capacity. The ratings also continue to derive strength from SONA's experienced promoters and management team with a long operational track record in the cement industry, supported by backward integration through captive limestone mines that ensure raw material security and operational efficiency.

Nonetheless, the ratings remain constrained by the working capital intensive nature of operations, resulting in an elongated operating cycle of 359 days in FY26 although reduced from 510 days in FY25, primarily driven by high inventory holding requirements. The ratings further factor the cyclical nature of the cement industry, exposure to regulatory and policy risks, volatility in key raw material prices, and intense competition from established domestic players, which may continue to exert pressure on profitability and cash flows. Going forward, SONA's ability to sustain its improved operating performance and profitability, strengthen debt coverage indicators and maintain a prudent capital structure amid a competitive and cyclical industry environment will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team with long track record of operations

SONA has an operational track record of more than 15 years in cement manufacturing. SONA is promoted by industrialists and traders of Nepal along with other shareholders. Mr. Ratanlal Tayal is the Chairman of the company with more than 38 years in business with involvement in varied sector. The promoters are also involved in other business of rosin and turpentine followed by trading of cycles, papers, cosmetics, fiber cables, etc. Further, the promoters are supported by a team of technically qualified and experienced professionals to run the day-to-day operations of the company.

Backward Integration; secured by adequate limestone reserves and proximity of the project to raw material sources

SONA's operating efficiency remains supported by the backward integration in the form of captive limestone mines located at the proximity to the factory site. SONA currently has a mining license for three limestone mines which is at the distance of ~38-45 kms from its existing clinker plant. The two Promoter companies R.P. Mining Private Limited and A.N. Mining Private Limited have one mining license each and total remaining estimated reserve of all five mines including Promoter companies is 24.36 Mn MT and these licenses are granted for a maximum period of 24 years by the Department of Mines and Geology. The estimated aggregate deposits of all the mines (including Promoter's) taken together is expected to further boost the operational profile of the company going forward.

Improved financial performance

SONA's Total Operating Income (TOI) increased significantly by ~68% y-o-y to NPR 4,419 Mn in FY26 from NPR 2,624 Mn in FY25, primarily driven by higher cement sales volume and improved price realization. The improved sales performance, along with better operating leverage and cost efficiency, supported a significant improvement in profitability. EBITDA increased by ~81% to NPR 1,059 Mn, with EBITDA margin improving to 23.96% in FY26 from 22.26% in FY25, indicating sustained operating profitability. Furthermore, PAT increased sharply to NPR 337 Mn in FY26 from NPR 47 Mn in FY25, with PAT margin improving to 7.63% from 1.80%, supported by higher operating profitability. GCA also improved substantially to NPR 589 Mn from NPR 196 Mn, strengthening the company's internal cash generation and debt servicing capacity.

Moderate capital structure

Total debt declined to NPR 6,402 Mn in FY26 from NPR 6,783 Mn in FY25, resulting in an improvement in overall gearing ratio to 1.25x as of mid-July 2026 from 1.34x as of mid-July 2025, while Total Outside Liabilities/Tangible Net worth (TOL/TNW) remained broadly stable at 1.79x in FY26 compared to 1.78x in FY25. Interest coverage ratio improved to 2.26x in FY26 from 1.54x in FY25, while DSCR improved to 1.28x in FY26 from 0.93x in FY25, moving above unity and indicating improved debt servicing capacity. Therefore, the company's leverage and debt protection metrics improved in FY26, supported by lower debt and stronger operating profitability, although leverage remains moderate.

Key Rating Weaknesses

Working capital intensive nature of business

SONA's liquidity profile remains stretched, although its operating cycle improved significantly to 359 days in FY26 from 510 days in FY25, primarily driven by a reduction in inventory and receivable days. The average collection period improved to 115 days from 129 days, indicating better realization from customers, while inventory days declined significantly to 290 days from 434 days. However, inventory levels remain high, primarily due to the company's practice of maintaining substantial limestone stock to ensure uninterrupted production. Average creditor days also declined to 46 days from 53 days, providing limited supplier financing. Thus, the company continues to maintain an elongated operating cycle, reflecting relatively high inventory holding and continued reliance on working capital funding.

Cyclicality and regulatory risk coupled with intense competition

SONA remains exposed to inherent cyclicality in the cement industry, with demand closely tied to the pace of infrastructure and construction activity in the country. Seasonal variations in construction, particularly during monsoon months, can also affect plant utilization and revenue visibility. Additionally, while Nepal's cement industry benefits from high customs duties on imports, its dependence on volumetric production leads to elevated transportation costs. Any changes in government regulations; such as adjustments to customs duties or other policies could significantly affect the industry. Furthermore, even though SONA meets 100% of its clinker requirements through its own clinkerization unit, it relies on market-dependent materials such as iron ore, clay, fly ash, coal, and gypsum. Volatility in the prices of these inputs directly impacts profitability. A significant increase in raw material costs is likely to impact the profitability margins across the cement industry. Similarly, the market is dominated by large, established cement producers with strong brand recognition. The presence of over 60 cement manufacturers and more than 20 clinker manufacturing units in Nepal, coupled with additional units in the pipeline, intensifies competition. This growing capacity reduces pricing flexibility, especially for new entrants, thereby pressuring profitability in an already competitive market.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology
Corporate Credit Rating Methodology

Past rating rationale:
Sonapur Minerals and Oil Limited: Issuer Rating and Bank Facilities Rating Revised

About the Company:

Incorporated in June 2008, Sonapur Minerals and Oil Private Limited was later converted to Sonapur Minerals and Oil Limited (SONA) in July 22, 2022. The company is presently engaged in manufacturing and selling OPC under the brand name "Sona Cement" and PPC under the brand name "Sona Shree Cement". The top three shareholders of the company are Mr. Nipesh Tayal (15.81%), R.P. Mining Private Limited (15.80%), and A.N. Mining Private Limited (12.47%), collectively holding 44.08% of the total paid-up capital as of mid-July 2026.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	2,375	1,801	1,641	2,624	4,419
EBITDA Margin (%)	18.98	19.63	(3.11)	22.26	23.96
Interest Coverage Ratio (x)	2.31	1.53	(0.20)	1.54	2.26
Current Ratio (x)	0.76	1.54	1.99	1.77	1.46
Overall Gearing Ratio (x)	2.39	2.86	1.19	1.34	1.25
TOL/TNW (x)	2.92	3.54	1.53	1.78	1.79

**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 Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	4,534.73	IRN BB+
Fund Based Bank Facilities- Permanent Working Capital Loan	Long Term	1,653.76	IRN BB+
Fund Based Bank Facilities- Term Loan (Proposed)	Long Term	200.00	IRN BB+
Fund Based Bank Facilities- Short Term Loan	Short Term	522.00	IRN A4+
Non Fund Bank Facilities- Letter of Credit/Bank Guarantee	Short Term	1,750.00	IRN A4+
Total Facilities		**8,660.49**	

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About Infomerics Credit Rating Nepal Limited:
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