PRESS RELEASE

UNITED CEMENTS LIMITED

August 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	4,094.04 (reduced from 4,229.72)	IRN BB	Reaffirmed
Short Term Bank Facilities	2,056.00 (reduced from 2,200.00)	IRN A4	Reaffirmed
Total	**6,150.04**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB (Double B) to the long term bank facilities of NPR 4,094.04 Mn and IRN A4 (A Four) to the short term bank facilities of NPR 2,056.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of United Cements Limited (UCL) continue to derive strength from its experienced promoter group and management team, its association with the diversified KL Dugar Group, and its backward integrated operations supported by captive clinker manufacturing facilities and adequate limestone reserves, which provide long term raw material security and support operational efficiency. The company's financial profile remained moderate, with TOI increasing to NPR 2,651 Mn in FY25 and healthy cash accruals despite moderation in the EBITDA margin to ~19% due to elevated key input and transportation costs.

Nonetheless, the ratings are constrained by the company's leveraged capital structure, although the overall gearing ratio improved to 5.03x as of mid-July 2025 from 5.69x a year earlier, supported by higher profitability and debt reduction. The company's operations also remain working capital intensive, with an elongated operating cycle of 320 days in FY25, leading to high working capital requirements despite improvement in inventory management. Further, the ratings remain constrained by the inherently cyclical and highly competitive nature of the domestic cement industry, along with exposure to regulatory changes, volatility in foreign exchange rates and imported raw material prices, which could continue to exert pressure on profitability and cash flows.

Going forward, the company's ability to improve its profitability, strengthen its capital structure and debt protection metrics, while maintaining adequate liquidity and efficient working capital management, will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter group and management team

UCL is a part of KL Dugar Group, a diversified conglomerate with a presence in various businesses. The company is managed under the overall guidance of its three-member Board of Directors (BoD). The BoD is chaired by Mr. Naresh Dugar, who brings in more than three decades of experience in various sectors, is a former executive member of Nepal Chamber of Commerce, former director of Kumari Bank Limited, and also serves as an Honorary Consulate of Mexico in Nepal. Mr. Kumud Dugar, Director, has been awarded Nepal’s most prestigious award Prabal Gorkha Dakshin Bahu for outstanding service in trade and business, holds position in Association of Nepalese Rice, Oil & Pulses Industry and Nepal Flour Mills Association as a President, and in FNCCI as an Executive Member. Furthermore, the board is supported by a team of technically qualified and experienced professionals to run day-to-day operations of the company. The management team is led by Mr. Bharat Babu Dahal, CEO, who has over three decades of experience in working in relevant sectors.

Backward integration; secured by adequate limestone reserves

UCL has strategically integrated its operations by establishing a clinker manufacturing unit with an installed capacity of 330,000 MTPA, ensuring a stable supply of clinker for its cement production. The company also operate limestone mines, which serve as a critical raw material source, reducing dependence on external procurement. The limestone reserves within these mines provide long-term operational security, supporting sustainable production levels and mitigating supply chain risks. This vertical integration is expected to strengthen UCL's operational profile, improve cost competitiveness, and enhance its market position in the cement industry.

Moderate financial profile

UCL's financial performance improved moderately in FY25, with Total Operating Income (TOI) increasing by ~8% y-o-y to NPR 2,651 Mn. However, EBITDA declined marginally to NPR 499 Mn in FY25 from NPR 518 Mn in FY24, leading to a moderation in the EBITDA margin to 18.81% from 21.00%, due to elevated key input costs, and higher transportation expenses, despite an improvement in cement sales realizations, indicating some pressure on operating profitability. Nevertheless, lower finance costs supported an improvement in profitability, with PAT increasing to NPR 111 Mn in FY25 from NPR 83 Mn in FY24 and the PAT margin improving to 4.18% from 3.34%. Furthermore, Gross Cash Accruals (GCA) improved to NPR 269 Mn in FY25 from NPR 241 Mn in FY24.

Key Rating Weaknesses

Highly leveraged capital structure

The capital structure remained leveraged, although with marginal improvement during FY25. Total debt reduced slightly to NPR 5,383 Mn in FY25 from NPR 5,507 Mn in FY24. The overall gearing ratio improved to 5.03x as of mid-July 2025 from 5.69x as of mid-July 2024, while the Total Outside Liabilities/Tangible Net worth (TOL/TNW) ratio moderated to 5.72x from 6.34x supported by higher profitability and a stronger net worth. Debt protection indicators also strengthened, with the interest coverage ratio improving to 2.18x in FY25 from 1.90x in FY24 due to lower finance costs. However, the DSCR declined to 1.32x in FY25 from 1.47x in FY24, indicating relatively lower debt servicing cushion despite the improvement in earnings.

Working capital intensive nature of business

UCL's working capital intensity improved to ~60% as of mid-July 2025 from ~77% as of mid-July 2024, although its working capital limits remained fully utilized. The improvement was primarily driven by better inventory management, with the average inventory holding period declining significantly to 238 days in FY25 from 310 days in FY24. However, inventory levels continued to remain elevated due to the strategic stocking of raw materials. The average collection period remained largely stable at 115 days in FY25 (FY24: 114 days), while the average creditor period declined to 33 days from 44 days, reflecting relatively faster payments to suppliers. Thus, the operating cycle improved to 320 days in FY25 from 380 days in FY24. Despite this improvement, the operating cycle continues to remain elongated, resulting in high working capital requirements.

Vulnerability to cyclical trend and seasonal demand; risk of regulatory changes, volatility in foreign exchange rates and raw material price

The cement industry is affected by cyclical trends in supply and demand, which in turn are linked to the economic growth of the country. Hence, the company is exposed to cyclical trends in supply and demand in the industry, impacting the capacity utilization, revenues and margins. Additionally, seasonality in construction and development expenditures can impact the industry's operation and overall demand for cement in Nepal. Moreover, cement industry in Nepal is also benefitted by the high custom levied on import, also being a volumetric production, transportation cost also remains high. Hence, any changes in the government regulations will have a huge impact on overall cement industry. Moreover, the prices of raw materials, such as iron ore, dry slag, fly ash, coal, and gypsum are highly volatile due to their global linkages, which exposes the company to raw material price volatility risk.

Intense competition in the industry
In the cement industry, market dominance is typically held by large producers with strong brand recognition. However, the market landscape is characterized by a mix of organized and unorganized players, resulting in limited pricing power for new entrants and impacting profitability amidst fierce competition. Currently, there are approximately 60 cement industry and 20 clinker manufacturing units operational, with several additional units in the pipeline. The impending influx of new units, alongside existing units undergoing capacity expansions, is anticipated to further constrain pricing flexibility in the future. Consequently, any notable increase in input material costs is likely to exert pressure on the industry's overall margins in the face of heightened competition.

Analytical Approach: Standalone

Applicable Criteria:
[Corporate Credit Rating Methodology]

Past Rating Rationale:
[United Cements Limited: Bank Facilities Rating Assigned]

About the Company:
United Cements Limited (UCL) was incorporated as a private limited company on August 21, 2007, and subsequently converted to a public limited company on June 14, 2024. UCL is engaged in manufacture and sale of clinker, Ordinary Portland Cement (OPC), and Portland Pozzolana Cement (PPC) under the brand names 'United OPC, and 'United PPC'. UCL has set up its cement and clinker manufacturing plant in Naubise, Dhading. The current installed capacity is 330,000 MTPA for clinkerization unit and 366,300 MTPA for grinding unit. Mr. Naresh Dugar, Mr. Kumud Kumar Dugar, and Mr. Vikas Dugar are major shareholders of UCL each holding ~33% of total shares as of mid-July 2025.

Financial Indicators (Standalone)

For the year ended* As on	FY21 Audited	FY22 Audited	FY23 Audited	FY24 Audited	FY25 Audited
Total Operating Income (NPR Mn)	2,342	2,079	2,386	2,468	2,651
EBITDA Margin (%)	22.36	14.08	20.41	21.00	18.81
Interest Coverage Ratio (x)	2.53	1.16	1.51	1.90	2.18
Overall Gearing Ratio (x)	9.43	3.99	3.61	5.69	5.03
TOL/TNW (x)	10.34	4.83	4.24	6.34	5.72
Current Ratio (x)	1.29	1.30	1.09	1.13	1.05

**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)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	3,788.37	IRN BB
Fund Based Bank Facilities- Permanent Working Capital Loan	Long Term	305.67	IRN BB
Fund Based Bank Facilities-Working Capital Loan	Short Term	1,256.00	IRN A4
Non-Fund Based Bank Facilities-Letter of Credit	Short Term	800.00	IRN A4
Total Facilities		**6,150.04**	

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About Infomerics Credit Rating Nepal Limited:
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