PRESS RELEASE

MANAKAMANA HARDWARE AND SUPPLIERS PRIVATE LIMITED

September 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	113.60	IRN BB	Assigned
Short Term Bank Facilities	465.00	IRN A4	Assigned
Total	**578.60**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB (Double B) to the long-term bank facilities of NPR 113.60 Mn, and IRN A4 (A four) to the short-term bank facilities of NPR 465.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Manakamana Hardware and Suppliers Private Limited (MKHS) derive strength from moderate track record of operations of the company (since 2016) coupled with well experienced director and management personnel in the related field. The ratings also factor in improving revenue profile of the company with Total operating income (TOI) achieving a CAGR of ~30% during FY20-FY26 and strong ~86% y-o-y growth in FY26, mainly supported by its branch expansion along with the increased project sales and improved market penetration in nearby regions. The ratings also factor in low working capital intensity (~9% in FY26 vis-à-vis ~11% in FY25) aided by lower collection period (<35 days across FY24-FY25) and moderate inventory holding (22 days in FY26 vis-à-vis 28 days in FY25) leading to a moderate liquidity profile of MKHS. The ratings also take comfort from the moderate coverage indicators, with interest coverage ratio improving to 1.32x as of mid-July 2026 from a negative coverage position in FY24. However, the ratio marginally moderated from 1.72x in FY25, primarily due to higher interest costs. Likewise, DSCR also remained moderate at 1.36x as of mid-July 2026 from 1.82x in FY25 and negligible in FY24. The ratings also take positive note of diversified product portfolio constituting various construction materials including steel, cement, TMT rebars among others coupled with all of such being sourced domestically, reducing susceptibility to import related risks.

However, these rating strengths are primarily constrained by low EBITDA margins of MKHS (~1-2% margin across FY24-FY25 and negative in FY24). Despite significant TOI, the presence of miniscule level of margins has resulted in minimal Gross Cash Accruals (GCA) across the years and even a marginal escalation in operating costs, or a minor decline in TOI, could significantly compress profitability margins or potentially turn them negative, which remains a key rating concern. The ratings are also constrained by its leveraged capital structure with overall gearing increasing to 2.86x as of mid-July 2026 from 2.44x in FY25 (2.78x in FY24) primarily due to higher reliance on working capital borrowings. The ratings are further constrained by existence of business in highly competitive and fragmented construction material supply sector. The rating concern also arises from MKHS's dependence on a large volume of operating income to sustain its operations which presents a challenge in the long run, especially considering the construction industry's strong reliance on government spending policies. Going forward, the company’s ability to sustain its revenue profile, improve its operating margins whilst improving its capital structure will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Moderate track record of operations with experienced promoter

Established in 2016, MKHS has a moderate operational track record in the trading of hardware and construction materials. The company is led by Mr. Ram Prasad Jhang, who has around 20 years of experience in market expansion, B2B sales, and dealer network development. He is supported by other promoters, who possess relevant experience across hardware trading, branch and inventory management, procurement, supply chain, finance, and risk management. The collective experience of the promoters and management across key operational and functional areas provides adequate support to the company's business operations and planned growth.

Moderate working capital cycle

MKHS has demonstrated relatively low working capital intensity, a positive factor given its trading-based operations, which typically demand extended credit periods and significant inventory holdings. The company’s working capital intensity remained moderate at ~9% in FY26 compared to ~11% in FY25 and FY24. Notably, MKHS has maintained an average collection period of less than 40 days consistently over FY24 to FY26, reflecting prudent receivables management. Likewise, the inventory holding period is also lower side which improved to 22 days in FY26 from 28 days in FY25 (FY24: 50 days). Consequently, the company’s operating cycle stood at 25 days in FY26 from 29 days in FY25 and 41 days in FY24, which remains short relative to the industry. Going forward, the ability of the management to sustain or further scale operations without significantly elongating the working capital cycle will remain a key monitorable.

Diverse product range with sales supported by wide geographical coverage

MKHS’s business profile is supported by its diverse product portfolio, which includes a wide range of construction-related materials such as steel and iron products pipes, folded sheets, cement, and rebars, primarily sourced from the domestic market. This product diversification mitigates concentration risk and enhances the company’s ability to cater to varying market demands, and is a rating positive. Further complementing its product mix is the company’s distribution network comprising of 6 sales and distribution centers strategically located across key regions of Nepal. This wide geographical reach not only facilitates deeper market penetration but also plays a critical role in supporting consistent sales growth and supports for revenue sustainability and is a rating positive

Key Rating Weaknesses

Modest operating margins

MKHS has achieved a significant scale of operations, with Total Operating Income (TOI) increasing from ~NPR 1,072 Mn in FY20 to ~NPR 4,967 Mn in FY26, representing a healthy CAGR of ~30% over FY20–FY26. The growth was supported by the expansion of distribution centers in Banepa and Satungal, along with increased project sales and improved market penetration in nearby regions. However, the profitability remains thin, with EBITDA margin recovering to ~2% in FY25 from negative levels in FY24 and remaining at ~2% in FY26. The limited improvement in margins despite the substantial increase in TOI reflects competitive pricing pressure in hardware materials, which continues to constrain margin expansion. Further, PAT margin marginally moderated to ~0.25% in FY26 from ~0.43% in FY25, primarily due to higher interest expenses, while the company reported negative PAT margin in FY24 in line with its negative EBITDA. This has resulted in modest cash generation, with GCA increasing to ~NPR 17 Mn in FY26 from ~NPR 16 Mn in FY25, compared to negative GCA in FY24 and ~NPR 5 Mn in FY23. The ability of management to sustain the strong growth in scale of operations while improving margins and strengthening cash generation will remain a key rating monitorable.

Leveraged capital structure albeit moderate coverage indicators

MKHS’s capital structure remained leveraged, with overall gearing increasing to ~2.86x as of mid-July 2026 from 2.44x as of mid-July 2025 (FY24: 2.78x; FY23: 1.79x). The increase in overall gearing during FY25 and FY26 was primarily driven by higher dependence on working capital borrowings to support the company's increasing funding requirements. Correspondingly, the TOL/TNW ratio further deteriorated to 6.53x in FY26 from 4.07x in FY25 (FY24: 4.60x; FY23: 3.67x), indicating an increased reliance on external liabilities relative to the company's net worth. Debt protection indicators also moderated, with interest coverage declining to 1.32x in FY26 from 1.72x in FY25, primarily due to increased interest expenses. The interest coverage had improved from 1.03x in FY23 but turned negative in FY24 owing to negative EBITDA before recovering in subsequent periods. Similarly, DSCR moderated to 1.36x in FY26 from 1.82x in FY25, while remaining negligible in FY24. The company's ability to improve its profitability, strengthen its net worth base, and maintain adequate coverage against its increasing debt obligations will remain key rating sensitivities.

Existence in a competitive industry with exposure to government regulation
Cyclical nature of the construction products related industry creates uncertainty over demand and cash cycles for MKHS. This could impact the company's revenue and profit margins. Volatility in cash flow due to cyclicality in the cash cycle could pose challenges, especially during the period of low demand. Furthermore, the fragmented industry is characterized by intense competition due to the presence of several organized/unorganized players aided by low entry barrier, low technology and capital requirement. Moreover, the construction industry as a whole is heavily dependent on government spending and policies, making companies like MKHS susceptible to operational volatility.

Analytical Approach: Standalone

Applicable Criteria:
[Corporate Credit Rating Methodology]

About the Company:
Manakamana Hardware and Suppliers Private Limited (MKHS) was incorporated on February 01, 2016 and is located at Banepa, Kavrepalanchok, Nepal. The company specializes in the distribution of construction materials such as Cement, TMT bars, Sheets (Jasta), Pipes and various construction and hardware materials in Nepalese market. Currently, the company operates through 6 authorized distribution layouts branches located in major cities including Kathmandu, Bardibas, Sindhuli etc. As on mid-July 2026, Mr. Ram Prasad Jhang Holds majority of the shareholding with 37.50%.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	1,557	1,179	2,669	4,967
EBITDA Margin (%)	1.65	Neg.	1.28	1.28
Interest Coverage Ratio (x)	1.03	Neg.	1.72	1.32
Current Ratio (x)	0.89	0.81	0.94	1.13
Overall Gearing Ratio (x)	1.79	2.78	2.44	2.86
TOL/TNW(x)	3.67	4.60	4.07	6.53

** Classification as per Infomerics Nepal Standards*
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)
Total Outside Liabilities/Tangible Net Worth (TOL/TNW)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Types of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities – Permanent Working Capital Loan	Long Term	113.60	IRN BB
Short Term Bank Facilities – Working Capital Loan	Short Term	430.00	IRN A4

Name of Instruments/ Facilities	Types of Facilities	Amount (NPR Mn)	Rating
Short Term Bank facilities – Bank Guarantee	Short Term	35.00	IRN A4
Total		**578.60**	

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About Infomerics Credit Rating Nepal Limited:
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