PRESS RELEASE

NEPAL GAS INDUSTRIES PRIVATE LIMITED

September 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	473.00	IRN BB-	Assigned
Short Term Bank Facilities	627.00	IRN A4	Assigned
Total	**1100.00**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB- (Double B Minus) to the long term bank facilities of NPR 473.00 Mn and IRN A4 (A Four) to the short term bank facilities of NPR 627.00 Mn.

Detailed Rationale

The ratings assigned to bank facilities of Nepal Gas Industries Private Limited (NGIPL) derive strength from long track record of operations (since 1969) and presence of experienced promoter and management personnel. The ratings also derive strength from steady stream of cash inflow from operations as evident by moderate GCA levels of ~NPR 69 Mn – 97 Mn across FY21-25 along with relatively modest working capital requirements. Also, interest coverage ratio of the company remained adequate at 2.02x in FY25, which remained around 2.00x throughout FY21–FY25 owing to relatively lower finance costs during the period. The rating also factors in the inherently stable demand for LPG, given its essential nature and consistent consumption, ensuring stable demand visibility. This stability is reflected in a steady growth trajectory in its Total operating income (TOI) at a CAGR of ~7.75% during FY21–FY25.

However, the rating strengths are constrained by NGIPL’s negative tangible net worth (TNW), primarily attributable to substantial upfront cash outflows incurred during the initial procurement of cylinders. The company operates with thin operating margins (~4–5% across FY21–FY25), owing to regulated pricing on both the supply and cost sides of the industry. This has resulted in narrow accretion to reserves, as reflected in modest profitability levels (PAT ranging from ~-1.35% to 0.27% during FY21–FY25), thereby keeping TNW negative throughout the period. Notwithstanding the negative TNW, the availability of interest-free customer security deposits, which are utilized to partly fund capital expenditure, has supported the company’s coverage indicators and debt repayment capacity, providing some comfort. The ratings are further constrained by the company’s geographical concentration in Bagmati Province, as well as importer concentration risk, given that Nepal Oil Corporation (NOC) is the sole authorized importer of LPG in Nepal. This exposes NGIPL to risks related to price volatility and regulatory changes. Additionally, the highly regulated nature of both supply-side and demand-side dynamics under NOC oversight results in intense non-price competition, which continues to constrain profitability and operational flexibility. Going forward, the company’s ability to expand the business operations and profitability, ensure steady stream of cash flows to service its debt in regular manner and improvement in its tangible net worth will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Long track record of operations and experienced board of directors

NGIPL has a long track record of operation (since 1969) and is managed under the overall guidance of its experienced Board of Directors (BoD) chaired by Mr. Dharma Raj Bartaula. Mr. Bartaula has over 15 years' of experience in different industries. The BoD is supported by experienced management team across various functions.

Steady increase in operating income given a stable demand for LPG, albeit modest profitability

NGIPL benefits from the inherently stable demand for liquified petroleum gas (LPG). Given the essential nature of LPG and regular consumption, demand visibility remains stable, supporting revenue stability over the medium term. This is reflected in the steady growth in TOI, which recorded a CAGR of ~7.75% across FY21-25 increasing to NPR 3,222 Mn in FY25 from NPR 2,390 Mn in FY21. The company's EBITDA has remained rangebound at ~4%-5%, reflecting the regulated nature of industry. Consequently, PAT margins have remained negative during the past three financial years ending FY25. The company's ability to mitigate external shocks remains a key monitorable, as even modest disruptions could have a bearing on its profitability profile.

Modest Working Capital requirements

NGIPL's working capital intensity at ~ 9% in FY25 compared to 4% in FY24, reflects relatively efficient operations and effective liquidity management, enabling the company to support day-to-day business activities while keeping short term capital tied up at a minimum. The company's collection cycle, which ranged between ~4 to 22 days during FY21–FY25, indicates generally stable receivables management. In contrast, procurement arrangements with its sole supplier, Nepal Oil Corporation Limited require immediate or near-immediate payment upon customs clearance, resulting in a comparatively short payable period of around 26 days. This has led to volatility in the operating cycle, ranging from around -6 to 6 days during FY21–FY25. The longer payable cycle enables the company to utilize supplier credit as a source of funding, thereby reducing pressure on internal liquidity.

Key Rating Weaknesses

Negative TNW, coupled with negative PAT

NGIPL's financial profile is characterized by structurally negative tangible net worth (TNW), primarily driven by the inherent nature of the gas distribution business. The industry requires significant upfront investment in gas cylinders, which are subject to recurring replenishment and high depreciation. However, a substantial portion of this funding is supported by interest-free customer security deposits, reducing reliance on external borrowings.

Despite this, profitability remains constrained due to regulated pricing by NOC, resulting in thin operating margins, coupled with high depreciation and finance costs. These factors have led to consistently weak earnings and negative PAT over the years. Consequently, accumulated losses have eroded reserves, with negative reserve worsening from NPR 147 Mn in FY21 to NPR 204 Mn in FY25. The ability of the management to improve profitability and restore TNW to positive levels over the medium term remains a key rating monitorable.

Regulatory risk and geographical concentration risk

The LPG industry in Nepal is subject to stringent regulatory oversight encompassing import licensing, cylinder standards, storage and handling norms, and distribution safety requirements, with any non-compliance potentially resulting in penalties, operational disruptions, reputational risks, or increased regulatory scrutiny. Also, the company's operations are concentrated in Bagmati Province and importer concentration risk, as NOC remains the sole authorized importer of LPG in the country, exposing the company to risks related to pricing volatility, supply constraints, and regulatory or policy changes. Furthermore, the highly regulated nature of both supply-side and demand-side dynamics under NOC oversight has resulted in narrow operating margin, intense non-price competition among distributors, thereby limiting profitability and operational flexibility.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology]

About the Company:
Nepal Gas Industries Private Limited (NGIPL) has been operating as a gas refilling company since 1969. It is licensed by Nepal Oil Corporation (NOC) to operate as a refilling industry and supplies LPG cylinders under the brand name 'Nepal Gas', in Bagmati province of Nepal. The company is wholly owned by Sambriddhi Gas Industries Private Limited.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	FY25
	Audited				
Total Operating Income (NPR Mn)	2,390	3,098	3,188	3,291	3,232
Gross Cash Accrual (NPR Mn)	78	97	67	78	69
EBITDA Margin (%)	5.62	4.94	4.20	4.71	3.86
PAT Margin (%)	-0.46	0.27	-0.44	-1.35	-0.49
Overall Gearing Ratio (x)	Neg.	Neg.	Neg.	Neg.	Neg.
Interest Coverage Ratio (x)	2.57	2.85	1.97	1.96	2.02
Working Capital Intensity (%)	3	1	1	4	9
Total Debt/GCA (x)	7.18	6.15	9.29	8.70	11.12

** Classification as per Infomerics Nepal Standards*

Annexure 1: Detail of Facilities

Instrument/Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities- Term Loan	Long-Term	453.00	IRN BB-
Long Term Bank Facilities- HP Loan	Long-Term	20.00	IRN BB-
Short Term Bank Facilities- Fund Based	Short-Term	326.00	IRN A4
Short Term Bank Facilities- Non-fund Based	Short-Term	301.00	IRN A4
Total		**1100.00**	

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About Infomerics Credit Rating Nepal Limited:
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