

PRESS RELEASE

LAXMI STEELS LIMITED

October 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BBB+ (Is)	Upgraded from IRN BBB (Is)
Short Term Bank Facilities	3,770.00	IRN A2	Upgraded from IRN A3+
Total	3,770.00		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the issuer rating from IRN BBB (Is) [Triple B (Issuer)] to IRN BBB+ (Is) [Triple B Plus (Issuer)]. Issuer with this rating is considered to have a moderate degree of safety regarding timely servicing of financial obligations. Such issuers carry moderate credit risk.

Also, Infomerics Nepal has upgraded the rating from IRN A3+ (A Three Plus) to IRN A2 (A Two) assigned to short term bank facilities of NPR 3,770.00 Mn.

Detailed Rationale

The ratings upgradation of Laxmi Steel Limited (LSL) and its bank facilities derive support from the company's improved revenue profile, with y-o-y growth of ~22% and ~12% in FY25 and FY26, respectively, supported by higher sales volumes amid healthy market demand and increased project sales. The ratings also factor in the company's stable operating margins during the review period, along with an improved capital structure supported by equity infusion and strengthening debt protection indicators, driven by higher profitability and reduced finance costs. Further, the ratings continue to derive comfort from the established track record of its promoter group, "Saurabh Group", and an experienced management team with a demonstrated presence in the steel industry. The ratings also factor in LSL's backward integration into billet manufacturing, which supports operational efficiency through assured availability of key raw materials. Additionally, the company benefits from its proximity to the Indian border, facilitating procurement of raw materials and supporting cost-efficient logistics.

However, the ratings continue to be constrained by LSL's working capital-intensive nature of operations, reflected in its moderate yet stretched working capital intensity of ~29% in FY26 compared to ~26% in FY25, primarily due to moderate receivables and inventory levels. The ratings also remain constrained by the company's high product concentration, with ~88% of FY26 revenue derived from TMT bars, exposing it to sector-specific demand risks, particularly from the cyclical construction segment. Further, the inherent cyclicity of the steel industry and intense competitive pressures could result in volatility in operating performance and cash flows. Regulatory developments, including any potential reduction in import duties on raw materials or finished steel by the GoN¹, remain a key rating sensitivity, given the potential impact on the company's margins. The company also remains exposed to foreign currency fluctuation risk due to its dependence on imported raw materials, while the contingent liability related to Nepal Electricity Authority (NEA), if crystallized, could adversely impact its financial position. Going forward, LSL's ability to sustain revenue growth, maintain operating margins, improve working capital management, maintain comfortable capitalization and debt protection indicators, and successfully execute its proposed IPO will remain key rating sensitivities.

¹ Government of Nepal

Detailed Description of Key Rating Drivers

Key Rating Strengths

Improving financial performance

The company reported an improvement in financial performance, with operating income growing by ~22% y-o-y in FY25 and a further ~12% in FY26, supported by higher sales volumes amid healthy market demand and increased project sales. Consequently, EBITDA margin improved to 6.58% in FY25 from 4.84% in FY24, aided by scale benefits and lower raw material costs, before moderating to 6.02% in FY26. Despite the moderation in operating margin, lower interest expenses supported PAT margin at 3.78% in FY26, compared with 4.00% in FY25. The improved earnings profile resulted in GCA increasing to NPR 515 Mn in FY26, strengthening the company's debt servicing capacity and financial flexibility.

Prudent capital structure and strengthening coverage metrics

The capital structure of the company witnessed a marked improvement in FY25, with the gearing ratio declining significantly to 0.34x as of mid-July 2025 from 0.77x as of mid-July 2024, primarily driven by equity infusion from existing shareholders and a private equity/venture capital investor at premium. The issuance of 2 Mn equity shares and subsequent utilization of proceeds towards full repayment of long-term borrowings in Q4FY25 further strengthened the balance sheet. Although gearing moderately increased to 0.43x as of mid-July 2026, it remained at a comfortable level. Correspondingly, the company's debt protection indicators improved significantly, supported by higher profitability and reduced finance costs, with interest coverage ratio improving to 9.25x in FY26 from 6.64x in FY25 and 2.41x in FY24. Similarly, DSCR improved to 8.01x in FY26 from 5.20x in FY25 and 2.12x in FY24, while TOL/TNW remained contained at 0.68x in FY26, reflecting a strengthened capital structure and improved repayment capacity.

Experienced promoter group and management team with established track record in manufacturing industry

LSL derives operational and financial strength from being a part of the Saurabh Group, a prominent business conglomerate in Nepal with established presence across diverse sectors including steel, cement, spinning mills, and tea estates. The group's involvement in both steel and cement industries through entities such as Sarbottam Steels, Jagdamba Cement, and Sarbottam Cement facilitates operational synergies, particularly in procurement and distribution, thereby supporting cost efficiency and market reach. The company is governed by a five-member board with extensive experience in the manufacturing and trading sectors, and is supported by a professionally qualified senior management team. Mr. Tikaram Neupane, Chairman, has over two decades of experience with Saurabh Group. The demonstrated track record of the promoters in successfully managing large-scale manufacturing operations, coupled with strategic group-level support, is expected to remain a key strength and continue to aid the company's business risk profile over the medium term.

Backward integration and strategic location support cost efficiency

LSL has undertaken backward integration by setting up an in-house billet manufacturing unit with an installed capacity of 180,000 MTPA, which has contributed to improved operational efficiency through assured raw material availability and cost savings. This has supported improvement in operating margins and is expected to aid sustainability of earnings over the medium term. Further, the company benefits from a favorable location, with its manufacturing facility situated in Sunawal, Nawalparasi, ~25 km from the Bhairahawa customs point near the Indo-Nepal border. The proximity to the border facilitates timely and cost-effective procurement of raw materials, thereby strengthening its cost competitiveness in the domestic market.

Key Rating Weaknesses

Working capital intensive nature of business

The company's operations remain working capital intensive, with working capital intensity of ~29% of operating income in FY26 from ~26% in FY25, primarily on account of moderate receivables and inventory levels. Operating in a highly competitive and fragmented steel industry, LSL has extended credit to customers beyond the usual two-month period to support sales amidst subdued market demand, leading average collection days to 76 in FY26. Additionally, given the import-dependent nature of its raw material procurement, the company is required to maintain higher inventory levels and make upfront payments under sight LCs, resulting in relatively lower creditor days. While average creditor days improved to 14 days in FY26, the overall operating cycle marginally elongated to 99 days in FY26 from 94 days in FY25.

Exposure to regulatory changes and import tariff risks

LSL remains exposed to regulatory risks, given its reliance on import tariff protection for sustaining profitability and financial stability. The company benefits from high import duties imposed by the GoN on finished steel products such as TMT bars and billets, which provide a competitive advantage to domestic manufacturers. Any reduction or removal of these import barriers could significantly impact LSL's revenue, profitability, and debt coverage indicators by intensifying competition from cheaper imports. The company's ability to navigate potential regulatory changes and maintain its cost competitiveness will be a key monitorable from a credit perspective.

Exposure to forex risk and competitive industry dynamics

LSL remains exposed to foreign exchange fluctuation risk due to a currency mismatch, as over 65% of its raw materials are imported in USD while sales are in local currency. This risk is amplified by reliance on dollar-denominated Trust Receipt loans and usance-based LCs, though partially mitigated through the use of hedging instruments. The company also operates in a highly competitive steel industry with low entry barriers and numerous players, which restricts pricing flexibility. Increasing capacity additions and cyclical demand trends have exerted pressure on realizations, making players like LSL vulnerable to margin volatility.

Analytical Approach: Standalone

Applicable Criteria:

[Issuer Rating Methodology](#)

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Laxmi Steels Limited: Bank Facilities & Issuer Rating Revised](#)

About the Company:

Laxmi Steels Limited (LSL), a part of Saurabh Group, was incorporated in August 2008 as a private limited company and later converted to public limited company in July 2022. It has plant situated in Sunawal, Nawalparasi, Nepal for manufacturing of Billets, TMT Steel Bars, and wires with total installed capacity of 150,000 MTPA for TMT rod and 180,000 MTPA for billet.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	9,444	8,053	9,801	10,968
EBITDA Margin (%)	5.37 ²	4.84	6.58	6.02

² Restated

For the year ended* As on	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Unaudited
Interest Coverage Ratio (x)	2.21	2.41	6.64	9.25
Current Ratio (x)	1.06	1.38	2.05	1.79
Overall Gearing Ratio (x)	1.69	0.77	0.34	0.43
TOL/TNW (x)	2.72	1.18	0.49	0.68
DSCR (x)	1.56	2.12	5.20	8.01

*Classification as per Infomerics Nepal standards

Earning 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- Working Capital Loan	Short Term	3,270.00	IRN A2
Non-Fund Based Bank Facilities- LC/BG*	Short Term	500.00	IRN A2
Total Facilities		3,770.00	

*Letter of Credit/Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:

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