PRESS RELEASE

SURYATARA CEMENT UDHYOG PRIVATE LIMITED

March 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	8,340.00	IRN B+	Assigned
Short Term Bank Facilities	530.00	IRN A4	Assigned
Total	**8,870.00**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN B+ (Single B Plus) to the long-term bank facilities of NPR 8,340.000 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 530.00 Mn.

Detailed Rationale

The ratings assigned to bank facilities of Suryatara Cement Udhyog Private Limited (SCUPL) derive strength from its experienced board of directors and a competent management team with relevant industry expertise. The rating also factors in the company's strategic location in Surkhet district of Karnali Province, which provides logistical advantages due to its proximity to key Indo-Nepal border points such as Nepalgunj, Dhangadhi, and Tikunia, thereby supporting efficient supply chain management. Further, SCUPL will benefit from backward integration through its clinkerization unit and the availability of mine licenses held by the company and its sister concern, ensuring better control over raw material sourcing.

However, these ratings strength are constrained by exposure to implementation risk, given that the project is currently in a nascent stage of construction (~2% of financial progress as of mid-July 2025). SCUPL also remains vulnerable to inherent industry risks, including cyclicality and seasonality in the cement sector, volatility in raw material prices, regulatory uncertainties, and intense competition. Going forward, SCUPL's ability the ability to complete the project within the stipulated timeline and budgeted cost will remain a key monitorable.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced board of directors and management

SCUPL is supported by a highly experienced board of directors and management team with extensive expertise in cement manufacturing and related industries. The company is governed by a 5-member Board of Directors (BoD) under the leadership of Mr. Mukund Prasad Timilsina, who brings significant experience across manufacturing, investment, trading, and FMCG sectors and also serves as Chairman of the Nepal Finland Chamber of Commerce and Industry. The board comprises directors with proven track records in constructing and operating cement companies. The technical team is led by Mr. Shiromani Dhakal, the project head, who has over four decades of experience in the cement industry. He is supported by a team of dedicated and visionary professionals with substantial experience in cement manufacturing, ensuring strong operational expertise and effective execution of SCUPL's projects.

Strategic location

The manufacturing plant of SCUPL is proposed to be located in Surkhet District, Karnali province, providing significant locational advantages for operations and management. Its proximity to major Indo-Nepal border towns, including Nepalgunj, Dhangadhi, and Tikunia, is expected to facilitate smoother logistics and supply chain management. The company is targeting 21 districts across

Lumbini, Karnali, and Sudurpaschim provinces, where freight costs are typically high due to distance, while also benefiting from a near-monopolistic geographic presence with the nearest competing plant located ~200 km away. Its close proximity to key markets is expected to result in substantially lower transportation costs, thereby enhancing cost competitiveness and supporting potential future exports.

Key Rating Weaknesses

Project implementation risk
SCUPL is implementing a majorly debt-funded project at a cost of ~NPR 10,743 Mn for setting up a clinkerization and cement unit with a capacity of 2,200 TPD and 2,250 TPD respectively at Surkhet, Karnali province. The project is expected to be funded in a debt and equity ratio of 78:22 and finalised the agreement with Tianjin Cement Industry Design & Research Institute Co. Ltd (TCDRI)-Sinoma International. for Engineering and Procurement (EP) services for 2 years. The project plan envisages commencement of commercial operation in three years from the beginning of construction (construction to begin after a month of issue of LC), with significant activities on the ground yet to be initiated. The project faces implementation risk, given its scale and scope, uncertainty regarding technical output and efficiency. However, the funding risk is partially alleviated as the company has already secured NPR 8,670.00 amount out of total debt requirement of NPR 8,870.00 amount. Any significant cost or time overrun may affect cash flow and debt protection metrices, therefore remains a key rating sensitivity factor. Hence considering, the nascent stage of the project, it is exposed to implementation and execution risk which could further impact time and cost estimate.

Exposure to intense market competition constraining scalability
The cement industry remains highly fragmented, characterized by the presence of numerous organized and unorganized players across regions. SCUPL is expected to face strong competition from well-established players offering products at competitive prices, which may constrain its scalability, particularly given its current nascent stage of construction. However, this risk is partially mitigated by the company's locational and operational advantages, including the availability of limestone mines within a distance of ~24 km from the plant, supported by dedicated three-lane road connectivity. Further, the presence of a clinkerization unit enables backward integration, which is expected to support cost efficiencies and strengthen the operational risk profile over the medium term.

Vulnerability to cyclical trend and seasonal demand; risk of regulatory changes.
The cement industry is highly cyclical in nature and depends largely on the economic growth of the country. Hence, the company is exposed to cyclical trends in supply and demand in the industry, impacting the capacity utilisation, revenues and margins. Also, the construction and development expenditures are largely carried out in a specific season impacting the overall demand of the 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 and allied industry.

Analytical Approach: Standalone

Applicable Criteria:
Corporate credit rating methodology

About the Company:
Suryatara Cement Udhyog Private Limited (SCUPL), incorporated on May 18, 2021 with the objective to construct and operate cement and clinker manufacturing units with capacities of 2,250 TPD and 2,200 TPD respectively in in Sunakada-9, Chaukune Gaupalika of Surkhet district, Karnali province. The major shareholder of the company is Mr. Mukunda Prasad Timilsina, holding ~38% of

shareholding of company as of mid-July 2025.

Ratings

Name of Instruments/Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Long Term Loan	Long Term	8,340.00	IRN B+
Fund Based Bank Facilities- Short Term Loan	Short Term	530.00	IRN A4
Non-Fund Based Bank Facilities-LC/ BG*	Short Term	(530.00)[1]	IRN A4
Total		**8,870.00**	

**LC: Letter of Credit; BG: Bank Guarantee*

[1] LC/BG of NPR 530.00 Mn is within Working Capital loan limit of NPR 530.00 Mn.

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About Infomerics Credit Rating Nepal Limited:

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by Infomerics Nepal is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.