PRESS RELEASE

SHREE RATAN INVESTMENT PRIVATE LIMITED

September 2026

Ratings

Instrument/Facilities	Amount(NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	218.25	IRN BB-	Assigned
Short Term Bank Facilities	525.30	IRN A4	Assigned
Total	**743.55**		

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 218.25 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 525.30 Mn.

Detailed Rationale

The ratings assigned to bank facilities of Shree Ratan Investment Private Limited (SRIPL) derive strength from experienced promoter namely Mr. Pawan Kumar Shah having a decade of experience in trading business. The ratings also derive comfort from SRIPL's association with renowned business house, the Shivam Group, which provides financial flexibility, demonstrated operational support, and managerial expertise. Also, the ratings consider the volatile albeit moderate financial performance of the company evident from its volatile operating income and cash accruals over FY21–FY25 and moderate albeit declining operating margins. Furthermore, the ratings also factor in SRIPL's storehouse proximity to Indo-Nepal border resulting saving in freight cost in imports. The ratings also take positive note of diversified product portfolio constituting various construction materials including Bitumen, TMT Bars and cements among others coupled with majority of such being sourced domestically, and agro related products. The ratings also take positive note of renewed government's continued emphasis on infrastructure sector, which supports for long term demand outlook for its products.

However, the ratings are constrained by the company's leveraged capital structure, as evidenced by an overall gearing ratio of 3.06x as of mid-July 2025 vis-à-vis 3.22x in FY24. The leveraged capital structure is primarily attributable to the higher utilization of working capital loans to fund its working capital requirements. Likewise, the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio remained elevated at 4.50x at the end of FY25, compared to 4.13x in FY24. The ratings are further constrained by the increasing working capital intensity, which stood at ~58% in FY25 compared to ~46% in FY24, due to an increase in the average collection period to 153 days in FY25 from 136 days in FY24 owing to worsening credit market in Nepal. Going forward, sustained improvement in the scale of operations and profitability, along with an improvement in the leverage profile through prudent working capital management, will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong Support of Shivam Group with experienced promoter and management team

SRIPL is an integral part of the Shivam Group, led by Mr. Pawan Kumar Shah. The company benefits from its promoter who is active in different sectors in Nepal, like manufacturing, imports, and trading. With Mr. Pawan Kumar Shah as Chairman, SRIPL gains from his expertise in various industries. Furthermore, Mr. Shah is supported by a team of qualified and experienced professionals, leading to a better understanding of the market dynamics, enabling a sound relationship with suppliers and customers.

Proximity to Indo-Nepal border

The head office as well as the storage facility of SRIPL is located in Birgunj, Nepal, which is very close to the Raxaul border with India. This strategic location allows SRIPL to efficiently import products from India, minimize transportation costs, and ensure timely delivery to its customers. Being near a major trade route also enables the company to respond quickly to customer demand and manage logistics effectively. Additionally, the proximity supports SRIPL's business model of sourcing products on demand, as it can maintain a smooth supply chain without holding excessive inventory.

Volatile albeit moderate financial performance

SRIPL has a track record of operations spanning more than decade. The company's total operating income (TOI) is volatile over the five years, spanning FY21 to FY25. SRIPL generated operating income of ~NPR 1,016 Mn in FY21, however, TOI declined sharply to about ~NPR 846 Mn in FY22 due to disruptions caused by the COVID-19 pandemic, which adversely affected imports and local sourcing activities. Thereafter, TOI recovered and stood at around ~NPR 1,202 Mn in FY23, before marginally declining to ~NPR 1,192 Mn in FY24. The revenue again declined to ~NPR 948 Mn in FY25. The decline in FY25 was mainly attributable to a slowdown in construction activities amidst industry wide economic recession. Going forward, management expects an increase in construction-related projects, which is likely to support improved operating income from FY26 onwards. SRIPL's EBITDA margin is on continuous decline with it reducing to 5.63% in FY25 from 9.34% in FY21 owing to steady rise in procurement cost with SRIPL unable to pass on the cost to its customer base effectively owing to intense competition. However, owing to reduced interest expenses due to excess liquidity, the PAT margin has improved slightly to 1.15% (FY24: 1.07%) after deteriorating to 0.55% in FY23 from 4.42% in FY22. In lieu of volatile scale of operations coupled with profitability, Gross Cash Accruals (GCA) is also volatile and stood at NPR 12 Mn in FY25, higher than NPR 8 Mn in FY23 but lower than NPR 14 Mn in FY24.

Key Rating Weaknesses

Leveraged capital structure

The capital structure of SRIPL is leveraged characterized by overall gearing ratio of 3.06x at the end of FY25 (FY24: 3.22x). The increase in overall gearing in FY25 is primarily attributable to higher utilization of working capital loans to fund its working capital requirements. primarily attributable to higher utilization of working capital loans to fund its working capital requirements. Similarly, TOL/TNW remained higher side at 4.50x in FY25 (FY24: 4.13x). The interest coverage ratio stood at 1.43x in FY25 (FY24:1.37x; FY23:1.17x). This marginal improvement in FY24-25 was due to decrease in finance cost owing to increased liquidity causing decline in interest rate. Likewise, DSCR is modest and has stood below 1x during FY24-25 at 0.73x in FY25 compared to 0.80x in FY24 (FY23:1.11x). The repayment has been met primarily through additional borrowings from directors. The ability of management to improve its capital structure and meet its debt obligation effectively and regularly remains key rating monitorable.

Working capital intensive nature of business

The working capital intensity of the company remains stretched at ~58% in FY25 (FY24: 46%; FY23: 47%), primarily driven by an elevated average collection period, which increased sharply to about 197 days in FY25 from 153 days in FY24 and 136 days in FY23. The elongated collection period in FY25 was mainly attributable to delays in payments by contractors amidst worsening credit market in Nepal as a whole. The average creditor period also remained high, increasing to ~57 days in FY25 from 37 days in FY24 and 41 days in FY23, partly offsetting the stretched receivables cycle. Meanwhile, the average inventory holding period remained minimal at ~3.6 days in FY25, reflecting the company's demand-driven business model.

Fragmented industry with cyclical nature

Cyclical nature of the construction products related industry creates uncertainty over demand and

cash cycles for SRIPL. 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.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

About the Company:
Incorporated in April 2016, Shree Ratan Investment Private Limited (SRIPL) is a private limited company, specialized in the trading of construction materials such as Bitumen, TMT Steels, Cements along with the agro products such as Lentils, Garlic, wheat and so on. Operating Primarily in Nepal, SRIPL import goods from India and also source from the local market thereby acting as an intermediary between suppliers and customers. The company also belongs to the Shivam Group, which has its presence in multiple sectors including food processing, imports and trading. The entire shareholding of the company is held by a sole individual promoter, namely Mr. Pawan Kumar Shah.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	1,016	846	1,202	1,192	948
EBITDA Margin (%)	9.34	7.30	6.14	5.85	5.63
Interest Coverage Ratio (x)	2.84	1.51	1.17	1.37	1.43
Current Ratio (x)	1.14	1.21	1.95	2.30	1.95
Overall Gearing Ratio (x)	6.10	3.30	3.81	3.22	3.06
DSCR (x)	2.36	1.37	1.11	0.80	0.73
Working Capital Intensity (%)	50	58	47	46	58

**Classification as per Infomerics Nepal standards*
Earnings before Interest Tax Depreciation Amortization (EBITDA)
Debt Service Coverage Ratio (DSCR)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities - Term Loan	Long-Term	218.25	IRN BB-
Short Term Bank Facilities - Working Capital Loan	Short Term	185.00	IRN A4
Short Term Bank Facilities - Letter of Credit	Short Term	200.30	IRN A4
Short Term Bank Facilities - Letter of Credit (Proposed)	Short Term	140.00	IRN A4
Total Facilities		**743.55**	

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About Infomerics Credit Rating Nepal Limited:
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