PRESS RELEASE

STEEL WOOD ENTERPRISES PRIVATE LIMITED

November 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	317.77 (reduced from 337.43)	IRN B+	Reaffirmed
Short Term Bank Facilities	435.00	IRN A4	Reaffirmed
Total	**752.77**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN B+ (Single B Plus) assigned to the long-term bank facilities of NPR 317.77 Mn and the rating of IRN A4 (A Four) to the short-term bank facilities of NPR 435.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Steel Wood Enterprises Private Limited (SWEPL) factors in the company's established operational track record of over two decades in trading construction materials and hardware products, supported by experienced promoters and management, along with a favorable demand outlook for steel products amid the Government of Nepal's continued emphasis on infrastructure development and capital expenditure.

Nonetheless, the ratings remain constrained by declining profitability despite growth in operating income, with the EBITDA margin contracting to 4.88% in FY26 from 9.59% in FY25, primarily due to intense competition, volatile steel prices and limited pricing flexibility inherent in the trading business. The ratings also factor SWEPL's leveraged capital structure, with an overall gearing ratio of 2.88x as of mid-July 2026, and moderated debt servicing capacity, as reflected by the DSCR declining to 1.23x in FY26 from 1.86x in FY25, amid lower operating profitability. Furthermore, the company's working capital-intensive operations continue to constrain liquidity, although the operating cycle improved to 113 days in FY26 from 147 days in FY25, supported by improved receivables and inventory management. Going forward, SWEPL's ability to sustain revenue growth, improve profitability and debt servicing capacity, and maintain efficient working capital management will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established track record of operation with experienced promoters

SWEPL has been in operation for more than two decades in trading of various construction materials and hardware products. Its promoters Mr. Sunil Kumar Rungta and Mr. Anoj Rungta also bring in an extensive support and experience of more than 20 years in the trading industry. The promoters also have other trading units namely Steel Wood Nepal Private Limited, Vishal Trading and Vishal Hardware. The promoters are further supported by well experienced management personnel over various functions.

Government capital expenditure and demand outlook for steel products

Nepal continues to focus on economic growth and infrastructure development. The Government of Nepal has allocated NPR 431.11 Bn for capital expenditure in FY27 reflecting increased emphasis on infrastructure development. The budget is expected to support the construction and expansion of roads, bridges, hydropower projects and other public infrastructure, thereby supporting demand for construction materials, including steel products. This provides a favorable demand outlook for SWEPL,

given its involvement in the steel products segment. However, the extent of demand growth will depend on the timely implementation of infrastructure projects and effective utilization of the allocated capital budget.

Key Rating Weaknesses

Declining profitability despite growth in operating income
SWEPL's total operating income (TOI) increased by ~28% to NPR 1,947 Mn in FY26 from NPR 1,521 Mn in FY25, driven by higher sales volume across major product categories following the undertaking of new projects. However, EBITDA declined to NPR 95 Mn in FY26 from NPR 146 Mn in FY25, with the EBITDA margin contracting to 4.88% from 9.59%, primarily due to competitive market pressure despite higher sales. Therefore, PAT declined to NPR 13 Mn in FY26 from NPR 53 Mn in FY25, with the PAT margin moderating to 0.65% from 3.50%. Similarly, GCA declined to NPR 17 Mn in FY26 from NPR 67 Mn in FY25, reflecting lower profitability and cash accruals. Going forward, the company's ability to sustain revenue growth while improving operating margins and cash accruals will remain a key monitorable.

Leveraged capital structure
SWEPL's total debt increased to NPR 811 Mn as of mid-July 2026 from NPR 776 Mn as of mid-July 2025, in line with increased working capital requirements arising from higher business volume. The overall gearing ratio remained largely stable at 2.88x as of mid-July 2026 compared to 2.89x a year earlier, supported by accretion to tangible net worth. However, Total Outside Liabilities/Tangible Net worth (TOL/TNW) marginally deteriorated to 6.22x from 6.13x during the same period. Furthermore, the DSCR declined to 1.23x in FY26 from 1.86x in FY25, while the interest coverage ratio moderated to 1.29x from 2.17x, primarily due to lower operating profitability and higher finance costs, indicating weakened debt servicing capacity.

Working capital intensive nature of business
SWEPL's operations remain working capital intensive, with near-full utilization of working capital limits indicating continued reliance on bank borrowings, despite a decline in working capital intensity to 0.43x in FY26 from 0.53x in FY25. The operating cycle improved to 113 days in FY26 from 147 days in FY25, driven by a reduction in the average collection period to 176 days from 227 days, following the introduction of bank guarantees for debtors along with a decline in the inventory holding period to 112 days from 135 days. However, the average creditors period also declined to 175 days from 215 days, partly offsetting the benefits of improved receivable and inventory management. Nevertheless, the company's liquidity position remains susceptible to fluctuations in steel trading volumes, trading margins and working capital requirements.

Intense competition present in the steel industry
The steel industry has numerous small and large, organized and unorganized players making it intensely competitive. The low entry barrier has limited the pricing flexibility and bargaining power of the players in the industry. The demand of iron & steel products is considered cyclical and with massive capacity enhancement of the industry due to the entry of new players as well as the substantial capacity expansion by the existing players has shrined the net realization price of the iron and steel products resulting in lower operating revenue and profits. The producers of steel construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

Past Rating Rationale:
Steel Wood Enterprises Private Limited: Bank Facilities Rating Revised and removed from Issuer Not Cooperating category

About the Company:
Steel Wood Enterprises Private Limited (SWEPL), formerly known as Jagdamba Bikri Kendra, was incorporated on November 03, 2010. The company is a family-owned business primarily engaged in trading construction materials and hardware goods across Nepal. As of mid-July 2026, SWEPL had a paid-up capital of NPR 170 Mn, equally held by Mr. Sunil Kumar Rungta and Mr. Anoj Rungta.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	1,350	1,183	1,521	1,947
EBITDA Margin (%)	7.23	7.51	9.59	4.88
Interest Coverage Ratio (x)	0.92	0.78	2.17	1.29
Total Debt/ EBITDA (x)	8.50	9.52	5.32	8.53
Current Ratio (x)	1.35	1.06	1.30	1.27
Overall Gearing Ratio (x)	3.49	3.90	2.89	2.88
TOL/TNW (x)	6.06	8.33	6.13	6.22

**Classification as per Infomerics Nepal standards*
Earnings 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- Term Loan	Long Term	317.77	IRN B+
Fund Based Bank Facilities- Short Term Loan	Short Term	435.00	IRN A4
Non-Fund Based Bank Facilities- Short Term Loan	Short Term	(202.50)	IRN A4
Total Facilities		**752.77**	

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