

PRESS RELEASE

PREMIER STEEL LIMITED

November 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	1,561.35 (reduced from 2,011.34)	IRN BB-	Reaffirmed
Short Term Bank Facilities	3,170.00* (enhanced from 3,450.00)	IRN A4	Reaffirmed
Total	4,731.35		

*Permanent working capital loan of NPR 165.93 Mn is within the consolidated short-term limit of NPR 3,170.00 Mn

Details of facilities are in Annexure 1 below

Infomerics Nepal has reaffirmed the rating of IRN BB- (Double B Minus) assigned to the long-term bank facilities of NPR 1,561.35 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 3,170.00 Mn.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Premier Steel Limited (PSL) reflect a stable revenue profile in FY25, despite a marginal y-o-y decline of ~3%, along with improvement in operating margins driven by enhanced average realization and cost efficiency. The ratings continue to draw comfort from the extensive experience of its promoters, associated with the "Sharda Group" and "Raathi Group," and the presence of a seasoned management team. Further, the ratings factor in the operational efficiency derived from backward integration, enabling better cost control and production management. The ratings also consider the company's strengthening brand presence, supported by effective marketing strategies and a widening dealer network, along with a favorable policy environment and demand outlook for the domestic steel industry, driven by sustained government emphasis on infrastructure development. Moreover, PSL's strategic location near the Indian border provides logistical advantages for the procurement of raw materials, thereby supporting cost efficiency and timely operations.

Nonetheless, the ratings remain constrained by PSL's leveraged capital structure, accentuated by higher reliance on working capital borrowings in FY25, along with modest debt coverage indicators reflected by DSCR of 0.93x in FY25. The ratings are further impacted by the company's elevated working capital intensity (~37% in FY25 vis-à-vis ~8% in FY24) owing to higher inventory holding. The concentration of revenue from TMT bars (~97% of total revenue in FY25) continues to restrict product diversification, exposing the company to demand volatility in the construction sector. Additionally, the cyclical nature of the steel industry renders PSL's profitability susceptible to fluctuations in raw material prices and end-market demand. The ratings also factor in regulatory risks, as any downward revision in import duties on raw materials or finished steel by the GoN¹ could adversely impact profitability and financial metrics. Furthermore, the company remains exposed to foreign exchange fluctuation risk, given significant import dependence for raw materials while revenue is denominated in NPR. Going forward, PSL's ability to improve its scale of operations and profitability, improve capitalization and debt protection metrics through prudent working capital management would remain key rating sensitivities.

Detailed Description of Key Rating Drivers

¹ Government of Nepal

Key Rating Strengths

Experienced promoters and management team in the steel industry

PSL is a part of Sharda Group and Raathi Group that derives its strength from promoters having strong presence in Nepal through their group entities in manufacturing of steel, cement, polymers, trading, hospitality, insurance etc. PSL is governed by a seven-member Board of Directors (BoD), comprising prominent businessmen and industrialist with extensive experience in manufacturing and trading. The board is chaired by Mr. Shivaratan Sharda who has over 40 years of experience in diverse business fields.

Backward integration in billet production being a key component of steel production

PSL produces billets for its own use, with an installed capacity of 120,000 MTPA for captive consumption. The company has integrated its plant backward by setting up steel melting shop with automatic casting and converting the existing mill into hot billet re-rolling mill. The vertical integration enhances the cost efficiency and minimizes reliance on external suppliers. This strategic move also bolsters the company's competitive advantage, positioning it more effectively to manage market fluctuations and supply chain disruptions.

Proximity to Indo-Nepal border leading to savings in freight cost

The plant site is in Duhabi, Morang around 22 kms from Jogbeni customs, Indo-Nepal borders. The plant being close to the customs has led to saving in freight cost as the majority of raw materials requirements of PSL are imported through Indian borders.

Key Rating Weaknesses

Leveraged capital structure with constrained debt coverage indicators

PSL's capital structure remained leveraged, with overall gearing increasing to 2.81x as of mid-July 2025 from 2.54x as of mid-July 2024, primarily due to higher utilization of working capital borrowings. Also, Total Outside Liabilities to Tangible Net Worth (TOL/TNW) moderated to 2.95x in FY25 from 3.57x in FY24, Furthermore, debt servicing indicators continue to remain constrained, as reflected by DSCR below unity at 0.93x in FY25 (0.87x in FY24) and a decline in interest coverage ratio to 1.48x in FY25 from 1.63x in FY24. The total debt-to-GCA stood elevated at 31.90x in FY25, attributable to the company's high debt levels. Going forward, improvement in debt coverage metrics, consistent cash generation, and maintenance of a stable capital structure will remain key monitorable.

Exposure to regulatory changes and import tariff risks

PSL 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 Government of Nepal 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 PSL'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.

Cyclicality, forex, and regulatory risks

PSL remains exposed to the inherent cyclicality of the steel and construction industries, which can lead to volatility in profitability and cash flows, further exacerbated by the highly fragmented nature of the industry. Steel prices are susceptible to fluctuations in global markets and movements in the US dollar exchange rate, given the company's reliance on dollar-denominated raw material imports while generating revenue in domestic currency, exposing it to forex risks. This has occasionally resulted in forex losses for the company. Additionally, frequent regulatory changes in import duties

and excise structures pose a risk to profitability. The GoN, through the amendment in the Finance Act 2021, reduced customs duty on sponge iron (used for billet production) from 5% to 0% while imposing an excise duty of NPR 2.5 per kg on imported billets, incentivizing backward integration among steel players like PSL. However, budgetary provisions for FY25 have partially reversed this advantage by increasing customs duty on sponge iron and reducing excise duty on billets. While integrated steel manufacturers are expected to retain some cost advantages, the company's ability to cope up with the frequent regulatory changes remain crucial.

Analytical Approach: Standalone.

Applicable Criteria:

[Bank Loan Rating Methodology](#)

Past Rating Rationale:

[Premier Steel Limited: Bank Facilities Rating Assigned](#)

About the Company:

Premier Steel Private Limited was incorporated on August 01, 2016, which later converted into Premier Steel Limited (PSL) on June 06, 2023. Founded by Mr. Shivratan Sharda, PSL is one of the largest steel manufacturing companies under the flagship of Sharda group and Raathi group. PSL is an ISO 9001:2015 certified company with manufacturing facility at Duhabi, Sunsari, Nepal with the capacity of 180,000 MTPA for TMT bars and 120,000 MTPA for billet. As of mid-July 2025, Mr. Birendra Rathi and Mr. Pradip Kumar Sharda holds ~11% each of the paid-up capital while the rest is held by multiple individual shareholders.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23 [@]	FY24	FY25
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	5,846	4,074	4,569	4,412
EBITDA Margin (%)	4.75	7.11	5.84	9.03
Interest Coverage Ratio (x)	1.86	2.74	1.63	1.48
Current Ratio (x)	0.81	0.91	0.67	0.74
TOL/TNW (x)	3.67	4.04	3.57	2.95
Overall Gearing Ratio (x)	1.97	2.18	2.54	2.81
Overall Gearing Ratio(x) (including LC payable)	3.43	3.80	3.38	2.83

*Classification as per Infomerics Nepal standards

[@]PSL had carried out first time adoption of Nepal Financial Reporting Standard (NFRS) from FY24 onwards resulting with the financial metrics for FY23 has changed according to "NFRS 1- First Time Adoption of NFRS"

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	1,411.35	IRN BB-
Fund Based Bank Facilities- Term Loan (Proposed)	Long Term	150.00	IRN BB-
Fund Based Bank Facilities- Permanent Working Capital Loan	Long Term	165.93*	IRN BB-
Fund Based Bank Facilities-Fluctuating Working Capital Loan	Short Term	1,750.00*	IRN A4
Short Term Non-Fund Based Loan - LC/BG	Short Term	2,600.00*	IRN A4
Total Facilities		4,731.35	



Infomerics Credit Rating Nepal Limited

LC= Letter of Credit; BG= Bank Guarantee

*The consolidated limit of fund based and non-fund based working capital loan and permanent working capital loan shall not exceed NPR 3,170.00 Mn.

Analyst Contacts

Mr. Utshav Bikram Malla

Tel No. +977-1-4583304/4585906

utshav.malla@infomericsnepal.com

Ms. Kritagya Pyakurel

Tel No. +977-1-4583304/4585906

kritagya.pyakurel@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini

Tel No. +977-1-4583304/4585906

rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:

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Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com

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