

Techminds Network Limited

Ratings

Facilities	Amount (Rs. Million)	Ratings ¹	Rating Action
Long Term Bank Facilities	3,420.00	CARE-NP BB- [Double B Minus]	Assigned
Total Facilities	3,420.00		

Details of Facilities in Annexure 1

CARE Ratings Nepal Limited (CRNL) has assigned the rating of 'CARE-NP BB-' to the long-term bank facilities of Techminds Network Limited (TNL).

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of TNL is constrained by the risks associated with the proposed capex project, which is to be funded through a debt–equity mix of 75:25, exposing the company to implementation and leverage-related risks in the near term. The rating also considers TNL's modest market share amid an intensely competitive and fragmented ISP industry, its working capital–intensive operations, and exposure to interest rate volatility. However, these risks are partially offset by the company's long-standing operational track record of over 15 years, extensive network reach, and established market presence in Nepal's internet services sector. The rating further derives comfort from TNL's experienced promoters and professional management team, and its steady operational and financial performance trend over FY24-FY25 (FY refers to twelve-month period ending mid-July).

Going forward, the ability of the company to maintain the growth in revenue, while improving profitability and efficient working capital management leading to lower dependence on borrowings will remain the key rating sensitivities. Also, the ability of the company to withstand the increasingly competitive business environment in internet business and maintain market share as well as the company's ability to complete the capital expenditure/acquisition within envisaged time and cost and generate revenue as envisaged will remain the key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Weaknesses

Risk associated with the proposed capex

TNL is undertaking a sizeable capex project estimated at Rs. 4,000 million to enhance its operational capacity and strengthen network infrastructure, through acquisitions. The project is proposed to be funded through a mix of Rs. 3,000 million term debt and Rs. 1,000 million equity. The investment is expected to improve TNL's scale, service quality and support long-term growth. Nonetheless, the company's ability to add and consolidate smaller local players under TNL and achieve the envisaged benefits remains to be seen. With about 75% of the project cost being debt-funded, leverage levels are expected to rise, potentially exerting pressure on debt coverage and liquidity indicators in the near term. This, however, is likely to be offset by the fact that the company will be targeting already operational providers with existing client base.

Working capital intensive nature of operations, stretched creditors

TNL's operations are working capital intensive. Operating cycle was negative 264 days in FY25 amid highly stretched creditors, with average creditor days increasing from 104 in FY20 to over 400 in recent years, reflecting the company's modest liquidity position. This heightens dependence on supplier funding and underscores the need for prudent payable

¹Complete definition of the ratings assigned are available at <https://www.careratingsnepal.com/> and other CARE publications

management. At the same time, the average collection period has lengthened from 27 days in FY20 to 114 days in FY25, indicating slower receivable realizations that may pressure liquidity. The gradual increase in inventory holding further adds to working capital requirements. Liquidity indicators remain weak, with the current ratio below 1.0 over FY20-FY25, signifying limited short-term liquidity buffer. Overall, the company's high working capital intensity and reliance on extended creditor float expose it to liquidity risk. Effective management of receivables, payables, and inventory will remain essential to sustain liquidity and maintain a stable credit profile.

Increasing competition in the industry

Nepal's ISP industry is experiencing robust growth, driven by increasing internet penetration, the expansion of 4G networks and rural connectivity initiatives. Despite the presence of more than 60 ISPs in the market, which might imply a congested environment, the actual distribution of fixed broadband internet subscribers reveals a highly concentrated market. As on mid-April, 2025, the top 20 ISPs collectively account for ~98% of the market share. Within this group, the top 5 ISPs hold ~72% of the market share, with TNL having ~3% of the market share. Notably, the leading ISP alone commands ~32% of the market share, highlighting significant market dominance by a few large players. Hence, TNL faces significant challenges such as intense competition from well-established players, market saturation and resource constraints. The larger players can afford to lower prices and provide favourable payment terms due to economies of scale and may even commence price wars which in turn can squeeze up the profit margins of TNL if it engages or can erode the customer base and make customer retention even more so difficult. So, it's imperative that TNL focuses on product and service differentiation through exceptional customer service and unique offerings, formation of strategic partnerships and continuous investment in innovative technologies.

Exposure to volatile interest rates risk

Sustained requirement for borrowings has led to relatively high interest outgo for TNL impacting its net profitability. The company's interest rates are based on floating interest rate regime, where a certain premium is added to the monthly base rate and interest rate is changed accordingly on monthly basis. The base rates of the banks and financial institutions (BFIs) in Nepal remain quite volatile as they are impacted by available liquidity in the system, which leads to changes in interest rates. Hence, funding taken by the TNL is exposed to volatile interest rate.

Key Rating Strengths

Experienced promoter and established track record of operations

TNL has a long and established track record of operations in Nepal's internet service industry, demonstrating its sustained market presence and operational stability. Incorporated on June 2, 2011, as a private limited company and subsequently converted into a public limited company on July 10, 2024, TNL has been operating successfully for the past 15 years. As of mid-July 2025, TNL holds ~3% market share of Nepal's internet service industry, serving around 110,000 active subscribers. The company's consistent subscriber growth and continued market presence reflect its ability to adapt to technological advancements, competitive pressures, and evolving customer preferences, thereby supporting its business profile and creditworthiness.

TNL is promoted by Mr. Kamal Raj Bastola, Chairman/CEO, having managerial and technical experience of over two decades in the internet service industry. He is supported by an experienced team across various functions.

Steady operational performance

TNL has exhibited steady operational performance over the past few years, marked by improving profitability and sustained cash generation despite fluctuations in revenue. The company's financial performance during FY20-FY25 reflects a period of revenue volatility but operational stabilization in recent years. Total operating income increased significantly from Rs.

787 million in FY20 to a peak of Rs. 2,301 million in FY22, driven by higher execution under the Build Broadband Network segment, before moderating to Rs. 742 million in FY24 and Rs. 719 million in FY25 as the company strategically refocused on its core ISP service income. Profitability indicators have strengthened, with PBILDT improving from Rs. 55 million in FY20 to Rs. 120 million in FY25, supported by reduced raw material costs and an increasing contribution from recurring ISP revenues. Despite topline fluctuations, TNL has maintained positive cash accruals over FY20-FY25, with gross cash accruals peaking at Rs. 131 million in FY23 and remaining satisfactory at Rs. 80 million in FY25. PAT levels remained modest, ranging between Rs. 10–43 million, reflecting the competitive and cost-intensive nature of the ISP sector. The improvement in cost structure, evidenced by the decline in cost of sales from 87% of sales in FY22 to 57% in FY25, indicates operational efficiency gains. The company continues to demonstrate adequate debt servicing capability, supported by stable operating cash flows and moderate leverage.

Diversified revenue base in terms of clientele and service

The company reported ~28% of its revenue in FY25 from retail customers, ~7% from corporate clients and ~26% from equipment sales. Furthermore, monitoring and technical support contributed ~29% to the company's revenues in FY25. Backed by diversified service offering, the company has been able to create a broad customer base across business segments. TNL's ability to obtain tenders for various government projects, steady corporate clientele and increasing retail subscriber base has resulted in a diversified customer base that has helped TNL reduce customer concentration risk.

About the Company

TNL was incorporated on June 02, 2011 as a private limited company and later converted to public limited company on July 10, 2024. TNL provides high speed fiber and cable internet as well as digital TV services among others. TNL is the among top 9 ISP in Nepal, in terms of retail subscriber base and has been operational in the industry for around 15 years.

Financial Performance

Rs. Million

For the Period Ended Mid-July,	FY23	FY24	FY25
	(A)	(A)	(UA)
Income from Operations	799	742	719
PBILDT Margin (%)	15.83	15.39	16.73
Overall Gearing (times)	1.74	1.51	1.50
Interest Coverage (times)	4.10	4.60	3.35
Total Debt/ Gross Cash Accruals (times)	2.81	4.09	5.36

A: Audited; UA: Unaudited

Annexure-1: Details of the facilities rated

Name of the Bank Facilities	Type of the Facility	Amount (Rs. Million)	Ratings
Long Term Bank Facilities	Term Loan	420.00	CARE-NP BB-
Long Term Bank Facilities	Proposed Loan	3,000.00	CARE-NP BB-
Total		3,420.00	

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