Naasa Securities Company Limited

Ratings

Facilities/Instrument#	Amount (Rs. Million)	Ratings[1]	Rating Action
Long Term Bank Facilities	**11.00**	**CARE-NP A- [Single A Minus]**	**Assigned**
Short Term Bank Facilities	**2,989.00**	**CARE-NP A2+ [A Two Plus]**	**Assigned**
Total	**3,000.00**		

#Details of instruments/facilities in Annexure-1

Care Ratings Nepal Limited (CRNL) has assigned the rating of 'CARE-NP A-' to the long-term bank facilities and the rating of 'CARE-NP A2+' to the short-term bank facilities of Naasa Securities Company Limited (NAASA).

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of NAASA derives strengths from strong business risk profile, supported by its established operating track record in Nepal's domestic stockbroking industry and the backing of experienced and resourceful promoters with demonstrated expertise in the capital market sector. The ratings also factor in NAASA's leading position in the equity broking market, both in terms of transaction turnover and client base, which provides it with meaningful scale benefits and supports its revenue generation capability. The company's diversified clientele, comprising retail investors, institutional clients and high-net-worth individuals, further strengthens its market franchise and reduces dependence on any single customer segment. The ratings also derive comfort from NAASA's healthy earnings profile and profitability indicators, which have been supported by higher broking volumes, efficient cost structure and its dominant presence in the market. The ratings also take cognizance of the company's comfortable capital structure, robust information systems and established risk management practices. The favourable regulatory initiatives aimed at deepening Nepal's capital market and strengthening margin trading infrastructure also remain positive from a business growth perspective. The ratings, however, are constrained by the inherent cyclicality of the stockbroking business, as NAASA's revenue and profitability remain closely linked to secondary market activity, investor sentiment and trading volumes. Any sharp correction in the equity market, prolonged moderation in turnover, or adverse regulatory changes relating to brokerage operations, margin lending, exposure norms or compliance requirements could therefore affect the company's earnings stability and business growth prospects.

Going forward, the ability of the company to manage exposure to market volatilities through diversification of revenue, sustain the market presence and improve profitability on a sustained basis and manage liquidity constraints in its overall client base will be key ratings sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Established track record of operations with experienced promoters in capital market sector

NAASA has an operational track record of more than 20 years in securities business. NAASA is promoted by various professionals having over 2 decades of working experience in the capital market sector. NAASA is managed under the overall guidance of the Company's three Board of Directors, chaired by Mr. Madan Paudyal, who brings over two decades of experience in the financial market. Mr. Paudyal has been leading NAASA for the last nine years. Further, the company

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

is majorly promoted by Mr. Sandeep Jalan who holds an MBA in Finance. He brings over two decades of experience in the financial management and capital markets. The promoters are aptly supported by experienced management team across various departments.

Leading market position in equity broking business along with diversified clientele base dominated by retail clients

The company has established itself as a market leader in the equity share broking industry with above 6% market share, in terms of buying and selling turnover, over the past years. As of mid-April 2026, it held 6.50% of the market share. The sustained dominant position in the industry highlights NAASA's consistent business generation capabilities, strong client base, and operational scale. In addition, NAASA has a good mix of clientele spread across numerous retail customers which is considered favourable as it reduces concentration risk towards limited customers. Company's ability to maintain a leading market position remains a key rating monitorable.

Healthy earnings profile and profitability levels

NAASA is a trading member of Nepal Stock Exchange (NEPSE), the only stock exchange in Nepal. It facilitates buying and selling of all listed securities on behalf of clients. Moreover, NAASA is also a registered Depository Participant (DP) with CDS and Clearing Limited and provides Demat account opening and maintenance, dematerialization of physical shares, pledging/unpledging of securities, and application for IPO/rights issuance. Further, the company has also been providing margin trading facilities (MTF) to its customers since FY23, which, however, gained little to no traction till FY25.

NAASA has demonstrated healthy earnings profile, with majority of income, ~97%, derived from brokerage commission. During FY25, total operating income (TOI) surged to Rs. 834 Mn from Rs. 323 Mn in FY24, driven by boom in revenue from stock broking commission. During FY25, NAASA's turnover increased by ~198% to Rs. 260,420 Mn, thereby leading to upsurge in the broking commission revenue. Net profit and GCA stood healthy at Rs. 312 Mn and Rs. 338 Mn, respectively, in FY25. The fixed cost to income ratio of NAASA is on the lower side but has demonstrated volatility mainly due to volatile nature of commission-based income from stock broking. NAASA has benefited from its healthy scale of operations resulting in lower fixed cost to income ratio.

Low gearing levels supported by comfortable capitalization and minimal debt level

NAASA has maintained comfortable capitalization profile over the years. As of FY25, it has a sizeable networth and overall debt (including non-fund-based limit of Rs. 401 Mn) of Rs. 857 Mn and Rs. 757 Mn leading to an overall gearing of 0.88x (FY24: 0.83x). The non-fund-based limit is related to the Bank Guarantee provided by NAASA to NEPSE and CDS & Clearing Limited. The company's capital structure remains comfortable, with sufficient headroom to support further growth in its MTF and broking operations. However, Networth decreased in the 9MFY26 owing to dividend payment of Rs. 346 Mn, which was declared for FY25. Furthermore, SEBON introduced the Margin Trading Facility (MTF) Directives, 2082 on February 13, 2026. The company has already provided MTF services to its clients and as of 9MFY26, it has taken margin lending loan resulting in slight increase in overall gearing ratio (including non-fund-based limit) to 1.48x. Going ahead, adequate capital structure position on the sustained basis will remain a key monitorable.

Robust information management system and risk management practices

NAASA Securities has made substantial capital investments to build an integrated, in-house digital brokerage ecosystem that enhances operational efficiency, scalability, and technological control. The ecosystem includes proprietary systems for client onboarding, trading, back-office operations, and customer relationship management, which collectively reduce reliance on third-party providers and allow faster customization and system improvements. Overall, the ecosystem

supports process efficiency, risk control, and adaptability, positioning the firm to manage growth in the dynamic regulatory and market requirements effectively. Further, the margin funding framework incorporates structured risk controls, including client-level exposure limits, stock-specific limits, and overall stock and sector exposure caps across the company. These controls are supported by ongoing investments in robust IT infrastructure, enabling real-time monitoring and enhancing risk management capabilities.

Regulatory support from government

During FY25, regulatory relaxation by Nepal Rastra Bank (NRB), including an increase in the single obligor limit for margin lending and reduction in risk weights to 100%, has supported higher credit exposure by banks toward this segment amid surplus liquidity. Furthermore, FY27's budget announcement introduced reforms like introducing short-selling, intraday trading in the stock market, and also allowing Non-resident Nepalese to transact in the secondary market. These measures are likely to boost the stock market. Additionally, the dual regulatory framework of NRB and SEBON, including the Margin Trading Facility Directive 2082, has strengthened market infrastructure for margin lending. With SEBON approval to undertake margin lending activities, NAASA is well-positioned to leverage this favorable regulatory environment, enabling diversification of revenue streams and supporting growth in its income profile.

Key Rating Weaknesses

Revenue stream vulnerable to market volatility

NAASA is primarily engaged in retail stockbroking business with stockbroking commission contributing to ~97% of TOI till FY25. Going forward, from FY26, income from margin lending is likely to increase given the favorable policies introduced by the regulator in February 2026. Brokerage income and interest income from MTF lending is directly a function of the market performance, which is highly volatile and exposes NAASA's earnings to volatility in stock markets.

Susceptibility to regulatory changes

The capital market in Nepal has witnessed steady regulatory evolution under the oversight of the Securities Board of Nepal (SEBON) with the objective of enhancing transparency, strengthening investor protection, and mitigating systemic risks. In recent years, SEBON has introduced several reforms affecting brokerage operations, market conduct, and risk management practices. Notably, measures such as tighter margin lending guidelines, enhancements in Know Your Customer (KYC) and Anti-Money Laundering (AML) compliance, stricter monitoring of broker exposure limits, and digitization initiatives (including online trading systems and centralized verification mechanisms) have been implemented in a phased manner. These changes, along with rising technology and compliance costs, may impact profitability and trading volumes, particularly during transition phases. Additionally, fluctuating market activity driven by macroeconomic factors and growing competition from tech-enabled brokers with lower-cost models poses ongoing pressure on margins and client retention.

About the Company

Naasa Securities Company Limited (NAASA) is a licensed securities broker and depository participants regulated by the Securities Board of Nepal (SEBON). Established as a public company under the Companies Act on December 21, 2007, the company's main business is to facilitate purchase and sale of securities in stock market and earning commission income. NAASA is a trading member of Nepal Stock Exchange (NEPSE) with membership certificate number 058. It has 3 branches at Birgunj, Pokhara and Janakpur, Nepal. It has also taken membership from CDS and Clearing Ltd as depository participants. NAASA has also received approval for margin lending facilities from the stock exchange in September 2022.

Financial Performance

(Rs. Mn)

Particulars	FY24 (A)	FY25 (A)	9MFY26 (UA)
Income from Operations (Rs. in Mn)	323	834	567
Profit after Tax (Rs. in Mn)	77	312	190
Tangible Net Worth (Rs. in Mn)	545	857	700
Overall Gearing (inc. Non-Fund Based) (times)	0.83	0.88	1.48
Fixed Cost to Income (%)	23.19	12.90	19.07
Return on Net worth (%)	15.01	44.53	NA

A: Audited, UA: Unaudited

Annexure 1: Details of the Instrument/Facilities Rated

Nature of the Facility	Type of the Facility	Amount (Rs. in Million)	Rating
Long Term Bank Facilities	Term Loan	11.00	CARE-NP A-
Short Term Bank Facilities	Fund-Based Limit	659.00	CARE-NP A2+
Short Term Bank Facilities	Non-Fund Based Limit	401.00	CARE-NP A2+
Short Term Bank Facilities	Proposed	1,929.00	CARE-NP A2+
Total Facilities		**3,000.00**	

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About CARE Ratings:

CARE Ratings Nepal Limited (CRNL) is licensed by the Securities Board of Nepal w.e.f. November 16, 2017. CRNL is supported by CARE Ratings Limited through a technical services agreement to provide technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings on an ongoing basis. The technical support shall ensure that CRNL has adequate resources to provide high quality credit opinions in Nepal.

Our parent company, CARE Ratings Limited commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI).

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In case of partnership/proprietary concerns, the rating assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor 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

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