

PRESS RELEASE

GREEN VENTURES LIMITED

June 2024

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	7,790.45	IRN BB+	Assigned
Short Term Bank Facilities	150.00	IRN A4+	Assigned
Total	7,940.45		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB+ (Double B Plus) to long term bank facilities of NPR 7,790.45 Mn and rating of IRN A4+ (A Four Plus) to short term bank facilities of 150.00 Mn.

Detailed Rationale

The bank loan ratings assigned to Green Ventures Limited (GVL) derive strengths from the strong promoter group with experienced directors and management team along with improving operational and financial performance of the company since its commercial operations in November 2021. The ratings also factor in the presence of a power purchase agreement (PPA) with sufficient period coverage, moderate counterparty risk, and favorable government policies towards the power sector. These rating strengths are partially offset by the moderately leveraged capital structure of the company with moderate debt service coverage indicators, hydrology risk associated with run-of-the-river power generation and inherent risk of natural calamities in the hydropower projects. Going forward, the ability of the company to successfully reduce the gap between operational Plant Load Factor (PLF) and contracted PLF on a sustained basis with timely receipt of payments from the Nepal Electricity Authority (NEA) while improving its capital structure will be the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong promoter group with experienced directors/ management team

GVL is majorly promoted by the individuals and institutional promoters from Triveni Group of companies and Vishal Group of companies. The company is managed under overall guidance of five-member Board of Directors, chaired by Mr. Birendra Kumar Sanghai, having experience and directorships in companies from various industries. Other directors also have relevant experience in various sectors. Management team is led by Mr. Shreedhar Khanal, Chief Executive officer, who has experience of over 15 years in hydropower sector.

Moderate operational and financial performance

During FY23, GVL had a total operating income of NPR 1,567 Mn which increased from NPR 944 Mn in FY22. FY23 was 1st full year of operation as the company was operational for around 8 months in FY22. During 9MFY24, company earned total operating income of NPR 1,220 Mn, a slight decline compared to the same period of FY23 due to lower hydrology. The project has been operational since November 2021 with an annual PLF of 50.38% of its installed capacity which improved to 62.57% during FY23 (9MFY24: 61.46% and 9MFY23: 64.49%). The decrease in PLF during 9MFY24 is mainly due to lower hydrology at the project site. EBITDA margin of the company was 89.29% in FY23, improved from 85.41% in FY22 (9MFY24: 88.13%). PAT margin of the company improved to 19.89% in FY23 from 11.64% in FY22 (9MFY24: 21.34%). Gross Cash Accruals of the company declined to NPR 595 Mn during 9MFY24 from NPR 633 Mn during 9MFY23 owing to lower EBITDA.

PPA with sufficient period coverage and favorable Government policies

GVL had entered into a PPA with NEA on February 02, 2011 for sale of 120 MW and subsequently it was amended on July 13, 2016 for sale of 52.4 MW power to be generated from the project. The period of the PPA is 30 years from the date of commercial operation (COD) or till validity of Generation license i.e., mid-March 2048 whichever is earlier. PPA period may be extended with mutual consensus during the last six months of validity. The tariff for wet season (mid-April to mid-December) is NPR 4.80 per kWh and for dry season (mid-December to mid-April) is NPR 8.40 per kWh with 3% annual escalation on base tariff for 8 times after completion of 12 months from the month succeeding COD month. The contracted energy for the project is 295.83 million units (MU) (i.e., 52.43MU for dry season and 243.40MU for wet season), at PLF of 64.45%. Power generated by the project is evacuated through 19.20 km 220 kV double circuit transmission line to NEA's New Khimti Substation. The GoN has prioritized the development of the hydropower sector as a means of ensuring energy security, lowering dependency on imported fossil fuels, and positioning Nepal as a significant exporter of electricity in the region. These include attractive tax incentives like income tax holidays and reduced indirect taxes on essential equipment, encouraging investments from the private sector. Additionally, Nepal Rastra Bank (NRB) has designated it as a priority sector for lending and has mandated banks to allocate a minimum share of their advances to the energy sector, ensuring that sufficient financial support is available for the development of hydroelectric projects. This, coupled with the government's strategic partnerships for the generation and export of power makes the long-term demand outlook for the Nepalese hydropower sector promising.

Key Rating Weaknesses

Moderately leveraged capital structure and moderate debt service coverage indicators

GVL's capital structure stood moderately leveraged with overall gearing of 2.42x as on mid-July 2023, slightly improved from 2.76x as on mid-July 2022 due to scheduled repayment of loans and accretion of profits to the company's reserves. The capital structure of the company slightly improved albeit continue to remain moderately leveraged at 2.17x as on mid-April 2024. Also, interest coverage stood moderate at 2.17x in FY23, improved from 1.78x in FY22 mainly due to improvement in EBITDA during FY23 (9MFY24: 2.22x). Also, Total Outside Liabilities to Tangible Net worth stood moderate at 2.44x at the end of FY23 vis-à-vis 2.83x at the end of FY22 (9MFY24: 2.20x). However, Total Debt to Gross Cash Accruals stood high at 10.75x in FY23, though improved from 20.41x at the end of FY22 (9MFY24: 13.18x).

Hydrology risk associated with run-of-the-river power generation

Run-of-the-river power (ROR) projects are sensitive to seasonal variations in river flows, producing more electricity during the wet season and less during the dry season as these projects have little or no capacity for water storage and rely on the flow of river water for power generation. Prolonged low water levels resulting from droughts or irregular rainfall can lead to operational strain and thus revenue loss. L4HP utilize discharge from Likhu Khola which is on snow fed river. This exposes the projects to risks associated with variations in water discharge from these rivers.

Climatic and revenue concentration risk

Nepal lies in a seismically active region along the Himalayan belt, making the country vulnerable to earthquakes, landslides, and floods, all of which pose significant threats to hydropower infrastructure. In addition, the country's rugged topography and monsoon rains make it prone to landslides and floods, which can cause structural damage and disrupt project operations. These disasters not only result in costly repairs and prolonged downtime but also affect the financial viability of hydropower projects by reducing power generation, thereby impacting their financial performance. GVL derives its income from a single operational project which exposes the company towards concentration risk as its financial and liquidity profile remain exposed to operational and financial performance of the project.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

Green Ventures Limited (GVL) is a public limited company, incorporated in 2004 as a private limited company and later converted to public limited company on February 25, 2019. The company has a 52.4 MW operational hydropower project, Likhu IV Hydroelectric Project (L4HP) located at Okhaldhunga and Ramechhap districts of Nepal. The project came into commercial operation in November 07, 2021. L4HP has catchment area of 655 sq. kms with design discharge of 26.7 m³/s at exceedance flow of 40% with gross head of 221.27m. GVL is majorly promoted by individuals and institutional promoters from Vishal Group of companies and Triveni Group of companies.

Financial Indicators (Standalone)

For the year ended* As on	FY22**	FY23	9MFY24
	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	944	1,567	1,220
EBITDA Margin (%)	85.41	89.29	88.13
Interest Coverage Ratio (x)	1.78	2.17	2.22
Current Ratio (x)	1.39	1.40	1.77
Overall Gearing Ratio (x)	2.76	2.42	2.17

Earnings before Interest Tax Depreciation Amortization (EBITDA)

*Classification as per Infomerics Nepal standards

**During FY22, the project was operational for ~8 months.

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Long Term Bank Facilities- Term Loan	Long Term	7,790.45	IRN BB+
Short Term Bank Facilities- Overdraft	Short Term	150.00	IRN A4+
Total Facilities		7,940.45	

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About Infomerics Credit Rating Nepal Limited:

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