PRESS RELEASE

SIURI NYADI POWER LIMITED

December 2024

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	5,739.00	IRN BB	Reaffirmed
Short Term Bank Facilities	225.00	IRN A4	Reaffirmed
Total	**5,964.00**		

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB (Double B) assigned to the long term bank facilities of NPR 5,739.00 Mn and IRN A4 (A Four) assigned to the short term bank facilities of NPR 225.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Siuri Nyadi Power Limited (SNPL) continues to derive strength from its experienced promoters and its board of directors in the related field, Power Purchase Agreement (PPA) covering the majority of the project's lifespan at predetermined rates, financial closure achieved for the estimated project cost and GoN[1] support for the power sector.

These rating strengths are partially constrained by the project implementation and stabilization risk associated with the SNPL's under construction 40.27 MW Super Nyadi Hydropower Project (SNHPP) given its mid-stage of construction i.e., ~73% physical progress till mid-November 2024 and hydrology risk associated with run-of-the-river (ROR) power generation. Furthermore, the ratings also factor in an exposure to interest volatility risk and risk of natural calamities. Going forward, the ability of the company to complete the project on time within budgeted cost and with early stabilization afterwards will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and board members in the related field

SNPL has five directors in its Board of Directors, chaired by Mr. Shailendra Guragain having more than two decades of experience in development & operation of hydroelectricity projects. Mr. Dinesh Gurung, Managing Director, has more than a decade of experience in various sectors including Hydropower Development. One of the major institutional promoters, M/s Ngadi Group Power Limited, is operating 4.95 MW Siuri Khola Small Hydropower Project (SKSHP) at Lamjung district from October 16, 2012. Furthermore, the board is supported by other experienced team members.

PPA covering significant life of the project, at predetermined tariffs

SNPL had entered into a long term PPA with Nepal Electricity Authority (NEA) as on May 29, 2017 for sale of 40.27 MW power to be generated from the project. The contracted Plant Load Factor (PLF) for total 40.27 MW is 67.76%. Tariff rate as per PPA is NPR 4.80 per kWh for wet season (June to November) and NPR 8.40 per kWh for dry season (December to May) with 3% annual escalation on base tariff for 8 times. Required Commercial Operation Date (RCOD) of the project was July 16, 2024 which has been extended till June 13, 2025.

[1]Government of Nepal

Financial closure achieved for the estimated project cost
The total estimated cost of the project for 40.27 MW is NPR 7,316 Mn to be funded in debt-equity ratio of 75:25. SNPL has entered into consortium loan agreement on March 14, 2018 for NPR 5,239 Mn term loan. The promoters have already injected NPR 1,629 Mn as an equity till mid-September 2024. The financial progress achieved by SNPL as of same date was ~62%.

Favorable government policies towards the power sector
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

Project implementation risk and stabilization risk
The overall physical progress of the project achieved was ~73% till mid-November 2024. The project implementation risk is moderated to some extent as the project is being built by experienced contractors under Engineering, Procurement and Construction (EPC) Model. As the project is at mid-stage and construction is expected to end by Mid-July 2026, the company continues to remain exposed to the risks associated with project implementation and satisfactory operations thereafter. Also, the ability of the company to receive extension of RCOD till expected date of completion of the project will remain key monitorable.

Hydrology risk associated with run-of-the-river power generation
ROR projects are directly exposed to risk associated with variation in discharge of water from the river. SNPL is utilizing discharge from tailrace of Nyadi Khola located at Lamjung District, having catchment area of 93.87 km^2. Furthermore, the lack of a deemed generation clause in the PPA exposes the project to hydrology risk in case of adverse river flow scenarios without receiving any compensation for such losses.

Risk of Natural Calamities
Hydropower projects are prone to risk from natural disasters, such as floods, landslides and earthquakes, as the projects are generally located in challenging terrains with uncertain geology. These occurrences can significantly disrupt infrastructure, leading to construction delays and inflated costs. Moreover, they may disrupt power generation and evacuation, consequently affecting the financial performance. Hydropower projects like SNHPP are inherently exposed to risk of these natural calamities, which may affect the project’s execution, functioning and financial performance.

Analytical Approach: Standalone

Applicable Criteria:
Power Projects Rating Methodology

Past Rating Rationale:
Siuri Nyadi Power Limited: Issuer Rating Assigned and Bank Facilities Rating Revised and removed from Isser Not Cooperating Category

About the Company:

Siuri Nyadi Power Limited (SNPL) is a public limited company earlier incorporated as a private limited company on August 22, 2014 and later converted to public limited company on July 19, 2017. The company has been set up to build, own and operate 40.27 MW run-of-river located at Bahundada VDC of Lamjung District of Nepal. The project has 93.87 km^2 catchment area and 6.80 m^3/s design discharge at 40% exceedance flow. M/s Ngadi Group Power Ltd is the major institutional promoter.

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	5,739.00	IRN BB
Fund Based Bank Facilities	Short Term	200.00	IRN A4
Non Fund Based Bank Facilities	Short Term	25.00	IRN A4
Total Facilities		**5,964.00**	

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About Infomerics Credit Rating Nepal Limited:

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