PRESS RELEASE

HIM PARBAT HYDROPOWER LIMITED

June 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	3,255.00	IRN BB	Upgraded from IRN BB-
Short Term Bank Facilities	150.00	IRN A4	Reaffirmed
Total	**3,405.00**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating assigned to the long term bank facilities of NPR 3,255.00 Mn from IRN BB- (Double B Minus) to IRN BB (Double B) and reaffirmed the rating of IRN A4 (A Four) to the short term bank facilities of NPR 150.00 Mn.

Detailed Rationale

The upgradation of ratings assigned to the bank facilities of Him Parbat Hydropower Limited (HPHL) reflects the significant overall progress in the construction of its under-construction hydropower projects, 20 MW Sagu Khola Hydropower Project (SKHP) and 5.5 MW Sagu Khola-1 Hydropower Project (SK1HP). Overall physical progress of 94.46% for 20 MW and 98.43% for 5.5 MW has been achieved till May 05, 2025, an improvement from 70.17% for 20 MW and 73.26% for 5.5 MW till mid-July 2024. The ratings continue to derive strengths from HPHL's experienced promoters and management team, low tariff and offtake risks with presence of a long-term Power Purchase Agreement (PPA) and high dry energy mix of the projects. Also, the ratings factor in improving market demand for electricity with GON[1] support for the power sector.

However, these rating strengths are partially offset by the residual project implementation risk and stabilization risk associated with HPHL's under construction projects, hydrology risk associated with run-of-the-river (ROR) power generation and vulnerability to natural calamities. Going forward, the ability of the company to commence its project within the estimated cost and time will remain key rating sensitivities. Also, the ability of the company to secure extension of Required Commercial Operation Date (RCOD) for the projects will remain key monitorable.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team

HPHL has five-membered Board of Directors, chaired by Mr. Himal Gurung, who has more than two decades of experience and is associated with various capacities at management levels with various hydro power companies. He is supported by other experienced directors along with a team of experienced management team lead by Mr. Sunil Regmi, Project Manager, who has over a decade of experience in hydropower sector.

Low tariff and offtake risks with presence of a long-term PPA and high dry energy mix

HPHL had entered into a PPA with NEA[2] for sale of power to be generated from both the projects under take or pay system. The project's tariff and offtake risks remain low as the company has a 30-year PPA with the NEA from commercial operation date (COD) or till validity of Generation License, whichever is earlier (expiry date of 5.5-MW is 2111-10-20 BS and 20-MW is 2111-08-11 BS). Furthermore, the tariff for wet/ dry season (6-6 months) is NPR 4.80/ 8.40 per kWh with 3%

[1] Government of Nepal
[2] Nepal Electricity Authority

escalation on base tariff for 8 times in every year after completion of 12 months from the COD date. Management expects to achieve commercial operation of both projects by July 16, 2025. Further, project is supported by high dry energy mix of ~30% with an average PLF of ~66%.

Improving market demand with Government support for the power sector

According to the NEA's Annual Report, the annual peak electricity demand during FY24 was 2,467 MW from 1,870 MW during FY23. Additionally, the total energy demand for the time period was 11,064 GWh during FY22 which increased to 12,369 GWh during FY23, which further increased to 13,966 GWh during FY24 of which 1,834 GWh were imported from India and the remaining was generated domestically. The total export to India soared to 1,943 GWH in FY24 against 1,333 GWh in FY23. Hence, the prospects remain positive in view of improving generation, growing demand with scope of export. 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

As of May 2025, the overall physical progress of the projects was ~94.46% for 20 MW and ~98.43% for 5.5 MW. 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 and significant progress has been achieved. As the projects have achieved significant progress and are expected to complete by mid-July 2025, execution risk has moderated significantly, though some residual risk related to testing, commissioning and regulatory clearances persist.

Moderate Funding Risks

The project’s total equity requirement is NPR 1,690 Mn. The promoters have already infused ~65% of the equity requirement i.e. ~NPR 1,098.50 Mn as of July 15, 2024. However, the management plans to raise the required NPR 591.50 Mn (i.e. ~35% of post IPO capital) through the proposed IPO, is yet to be implemented. While the required debt component for the project development (i.e. NPR 3,255 Mn at current cost estimates) has been tied up on 24th May 2021, funding gaps could arise in case of further cost overrun in the project.

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

ROR projects are directly exposed to risk associated with variation in discharge of water from the river. SKHP is proposed to utilize discharge from Sagu Khola and Pegu Khola having catchment area of 37.04 sq kms for Pegu Khola based on Perennial River with design discharge of the project is 1.85m^3/s Pegu Khola and 4.65 m^3/s Sagu Khola-1 at exceedance flow of 40%. Similarly, S1KHP is proposed to utilize discharge from Sagu Khola and Syakhu Khola having catchment area of 60.17 sq kms for Sagu Intake and 14.75 sq kms for Syakhu Intake based on Perennial River. The design discharge of the projects is 4.68m^3/s at exceedance flow of 40%. Further, 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

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.

Analytical Approach: Standalone

Applicable Criteria:
Private Power Producers Rating Methodology

Past Rating Rationale:
Him Parbat Hydropower Limited: Bank Facilities Rating Reaffirmed

About the Company:
Incorporated in June 2014, as a Private Limited was later converted to Him Parbat Hydropower Limited (HPHL) in June 2021. The company has been set up to build, own and operate two Hydroelectric Project (HEP) of 5.5 MW and 20 MW both in Dolakha district of Nepal, for the sale of entire power. M/S Avasar Equity Fund (43.61%), Mr. Himal Gurung (27.13%), and Ms. Bhumika Gurung (10.14%) are the major shareholders as on July 15, 2024.

Annexure 1: Detail of Facilities

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	3,255.00	IRN BB
Fund Based Bank Facilities- Working Capital Loan	Short Term	150.00	IRN A4
Non-Fund Based Bank Facilities- LC/PBG*	Short Term	(1,750.00)	IRN A4
Total Facilities		**3,405.00**	

**LC= Letter of Credit and PBG= Performance Bank Guarantee*

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