

PRESS RELEASE

AAYU MALUN HYDROPOWER PRIVATE LIMITED

July 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	2,572.50	IRN B	Reaffirmed
Total	2,572.50		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN B (Single B) assigned to the long-term bank facilities of NPR 2,572.50 Mn.

Detailed Rationale

The reaffirmation of the rating assigned to the bank facilities of Aayu Malun Hydropower Private Limited (AMHPL) derives strength from the backing of a strong promoter group, notably including an institutional promoter Puwa Khola-One Hydropower Limited [[IRN BB- \(Is\)](#)]. The project benefits from a long-term Power Purchase Agreement (PPA), which substantially mitigates tariff and offtake risks. The rating also factors in moderate counterparty and power evacuation risks, growing electricity demand, and the continued policy and regulatory support extended by the Government of Nepal (GoN) to the hydropower sector.

However, the rating remains constrained by the execution risk associated with AMHPL's under-construction 21 MW run-of-river hydropower project, which is currently in its early stages of development. Both the Generation License and the PPA are still under the name of the parent company, Puwa Khola-One Hydropower Limited; the transfer process is, however, at its final stage. Furthermore, the financial closure of the project loan is yet to be achieved. The project remains exposed to inherent hydrological risks typical of run-of-river schemes, as well as susceptibility to natural disasters. Going forward, the company's ability to tie up debt required for the project, complete the transfer process of PPA and Generation License and complete the project within the estimated cost and timeline will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong and experienced promoters and management

The major promoter of the company, Puwa Khola-One Hydropower Limited is an institutional promoter operating 4MW Puwa Khola-One Hydropower project. The chairman Mr. Kiran Malla has Masters in Hydropower Development and has more than 35 years of experience in the hydropower sector. Mr. Malla is also the chairman of High Himalaya Hydro Construction Pvt Ltd, 23MW Union Mewa Hydropower [[IRN BB-/A4](#)]. The board of directors are well supported by experienced and diverse management team.

Power Purchase Agreement at predetermined tariffs covering majority of project's lifespan

Puwa Khola-I Hydropower Company, parent company of AMHPL had entered into a long-term PPA with NEA in June 2023 for the sale of 21 MW of power to be generated from the project. The period of the PPA is 30 years from the date of commercial operation date (COD) or till the validity of the Generation License (obtained on November 30, 2022), whichever is earlier.

The tariff for the wet season (May to December) is NPR 4.80 per kWh and for the dry season (January to April) is NPR 8.40 per kWh with a 3% escalation on the base tariff 8 times every year after completion of 12 months from COD date. The contracted energy for AMHPL is 112.59 million units (MU) at a PLF of 61.20%. The Extended Required Commercial Operation date (RCOD) of the project

is April 13, 2025. However, as the project is executed by its parent company rather than itself, AMHPL doesn't have ownership over the revenue streams completely, thereby creating inherent risk regarding ownership to AMHPL. The ability of management to get the PPA and generation license transferred to AMHPL as soon as possible is a key monitorable.

Low power evacuation risk

The power to be generated by the project is to be evacuated through the NEA's Tingla substation, which is already operational, thereby removing the evacuation bottleneck from NEA's side. Further, for the power evacuation, the project has to develop 20km long 132kV transmission line from its powerhouse to NEA's Tingla substation. Timely availability of fund will remain essential for the timely completion of the evacuation structure on the company's side.

Improving market demand with Government support for 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 Funding Risk

The total estimated cost of the project for 21 MW is NPR 3,675 Mn to be funded in debt: equity ratio of 70:30. Financial closure for the project is yet to be achieved and Indicative term sheet is yet to be signed. The project is currently in its early stages, with it achieving financial progress of 13.46% of the total capital budget of NPR 3,675 Mn, primarily on preparatory activities such as pre-operating expenses, land acquisition, and infrastructure development with all the expenses borne out of equity share capital and advance share capital. Major construction contracts for civil and hydromechanical works are yet to be finalized due to delay in achieving financial closure. As of April 15, 2025, the promoters have infused NPR 375.23 Mn (~34% of the total equity). The promoter also has infused NPR 104.78 Mn as advance share capital, pending allotment. Including such advance share capital, the total equity infused reached ~44% of total equity. The ability of management to timely secure the fund and conclude the contracts to achieve commercial operation without any further delays from the estimated timelines will remain key rating monitorable.

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

Run-of-the-river power is considered an unsteady source of power, as a run-of-the-river project has little or no capacity for water storage and therefore is dependent on the flow of river water for power generation. It, thus, generates much more power during summer season when seasonal river flows are high (May to December) and less during the winter season (January to April). AMHP is proposed to utilize discharge from Malun river having catchment area of 94.87 sq kms based on Perennial River with design discharge of the project is 4.52 m³/s at exceedance flow of 40%. Hence, the project is exposed to risk associated with variation in discharge of water from the aforesaid river/khola. 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 of the projects. Hydropower projects like AMHP 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](#)

Link to past rating rationale:

[Aayu Malun Hydropower Private Limited: Bank Facilities Assigned](#)

About the Company:

Incorporated as a private limited company on March 2017, Aayu Malun Hydropower Private Limited (AMHPL) is constructing 21 MW Aayu Malun Hydroelectric Project (AMHP) in Okhaldhunga District, Nepal for sale of 21 MW contracted energy. AMHP is intended to utilize discharge from Malun river having catchment area of 94.87 sq. km with design discharge of the project 4.52m³/s at exceedance flow of 40%. AMHPL is majorly promoted by Puwa Khola-One Hydropower Limited holding 85.62% as on April end, 2024.

Annexure 1: Detail of Facilities

Instrument/Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities-Term Loan (Proposed)	Long-Term	2,572.50	IRN B
Total		2,572.50	

Analyst Contacts

Mr. Raunak Mulmi

+977-1-4583304/4585906

raunak.mulmi@infomericsnepal.com

Ms. Ruchata Shrestha

+977-1-4583304/4585906

ruchata.shrestha@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini

+977-1-4583304/4585906

rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:

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Infomerics Credit Rating Nepal Limited

Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com

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