

## PRESS RELEASE

### **BUDDHABHUMI NEPAL HYDROPOWER COMPANY LIMITED**

July 2025

#### Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB (Is)	Assigned
Long Term Bank Facilities	1,006.30	IRN BB	Assigned
Short Term Bank Facilities	23.30	IRN A4	Assigned
<b>Total</b>	<b>1,029.60</b>		

Details of facilities are in Annexure-1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the issuer rating of IRN BB (Is) [Double B (Issuer)]. Issuers with this rating are considered to have moderate risk of default regarding the timely servicing of financial obligations.

Infomerics Nepal has also assigned the rating of IRN BB (Double B) to the long-term bank facilities of NPR 1,006.30 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 23.30 Mn.

#### Detailed Rationale

The ratings assigned to Buddhabhumi Nepal Hydropower Company Limited (BNHC) and its bank facilities derive strength from the experienced board of directors and low tariff and offtake risk with the presence of a long-term Power Purchase Agreement (PPA). Also, the ratings take into account the moderate financial and operational performance of the company, albeit impacted by recurring floods at the project site. The ratings also factor in the moderate counter party risk, low power evacuation risk, improving electricity demand and GoN<sup>1</sup> support for the power sector.

However, these rating strengths are partially constrained by moderately leveraged capital structure and moderate debt service coverage indicators marked by overall gearing ratio of 2.89x as of mid-July 2024, which has been on increasing trend during FY22- FY24. The deterioration in overall gearing ratio is mainly on account of deterioration in tangible net worth amid losses incurred by the company. Furthermore, the project is exposed to the hydrology risk associated with run-of-river (ROR) power generation arrangement and vulnerability to natural calamities. Going forward, the ability of the company to reduce its gap between operational Plant Load Factor (PLF) and contracted PLF will be a key rating sensitivity. Also, the ability of the company to conclude its right share issuance and utilization of the proceeds for debt prepayment will be key monitorable.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

##### Experienced board of directors

The board of directors of the company bring diverse and significant expertise to their roles. Mr. Purna Lal Shrestha, Chairman, with over 15 years of experience in energy and development sectors has held leadership roles in many projects including ABP Energy Private Limited and ATLAS Energy Private Limited. Mr. Pramod Khadka, Director, has also holds key roles in hydropower projects and serves as a director for Barah Multipower Limited [\[IRN B+\]](#). The project is overseen by directors having extensive experience in energy and development field.

##### PPA covering significant life of the project, at predetermined tariffs

BNHC had entered a PPA with NEA on March 24, 2014 for sale of 4.993 MW power to be generated from the project and the PPA was amended November 15, 2022. The period of the PPA is 30 years

<sup>1</sup> Government of Nepal

from the date of commercial operation (COD) or till validity of Generation license, (obtained on April 9, 2013 for 35 years) 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 4.8 per kWh and for dry season (mid-December to mid-April) is NPR 8.4 per kWh with 3% escalation on base tariff for 8 times in every year after completion of 12 months from COD. The contracted energy for the project is 32.12 million units (MU) (i.e., 7.44 MU for dry season and 24.68 MU for wet season), at PLF of 73.43%. Power generated by the project is evacuated through 3 km 33/132 kV to NEA's Samundratar Substation.

## **Moderate financial and operational performance**

FY23 was 1<sup>st</sup> full year of operation as the company was operational for 4 months in FY22. During FY24, BNHC had a total operating income (TOI) of NPR 149 Mn which decreased from NPR 164 Mn in FY23 (NPR 14 Mn in FY22) amid hydrological issues and floods at the project site. During 9MFY25, company earned TOI of NPR 123 Mn. EBITDA margin of the company improved to 82.21% in FY24 (9MFY25: 83.48%) from 79.22% in FY23. However, PAT margin of the company deteriorated to negative 10.22% in FY24 from 6.43% in FY23. However, a modest recovery was observed during 9MFY25 with the PAT margin of 0.38%. Consequently, Gross Cash Accruals (GCA) of the company also decreased to 12 Mn in FY24 from NPR 62 Mn in FY23.

## **Key Rating Weaknesses**

### **Moderately leveraged capital structure**

BNHC's capital structure stood moderately leveraged with overall gearing ratio of 2.89x at the end of FY24, slightly deteriorated from 2.71x at the end of FY23 amid deterioration of tangible net worth (TNW) of the company owing to accumulation of losses. Also, interest coverage stood moderate at 1.39x in FY24, albeit deteriorated from 1.77x in FY23 mainly due to lower profitability during FY24. The total debt to GCA of the company stood elevated at 82.67x in FY24, significantly deteriorated from 15.82x in FY23, due to decrease in GCA. Likewise, TOL to TNW also saw a steady increase from 2.93 in FY22, to 3.04 in FY23 and 3.19 in FY24, in account of decreased TNW in FY24.

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

Run-of-the-river power (ROR) 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 and less during the winter season. Lower Tadi Khola Hydropower Project (LTKHP) is utilizing discharge from Tadi Khola having catchment area of 655 sq. kms based on snow fed river with design discharge of project is 26.7 m<sup>3</sup>/s at exceedance flow of 53.40%. Hence, the project is exposed to risk associated with variation in discharge of water from the aforesaid river/khola.

### **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:**

[Issuer Rating Methodology](#) & [Power Projects Rating Methodology](#)

## About the Company:

Buddhabhumi Nepal Hydropower Company Limited (BNHC), initially incorporated as a Private Limited company on November 16, 2007 and later converted into Public Limited company on August 16, 2017 owns and operates a 4.993 MW run-of-river Lower Tadi Khola Hydropower Project (LTKHP) in Tadi Khola, Nuwakot district of Nepal. The project has catchment area of 655 sq kms based on Perennial River with design discharge of the project is 26.7 m<sup>3</sup>/s at exceedance flow of 53.40%. Mr. Purna Lal Shrestha is the majority shareholder holding 7.86% of the total shareholding as of July 15, 2024.

## Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	9MFY25
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	14	164	149	123
EBITDA Margin (%)	8.02	79.22	82.21	83.49
Interest Coverage Ratio (x)	NA	1.77	1.39	1.61
Overall Gearing Ratio (x)	2.61	2.71	2.89	2.83
TOL/TNW	2.93	3.04	3.19	3.10

*Earnings before Interest Tax Depreciation Amortization (EBITDA)*

*Total Outside Liabilities (TOL)*

*\*Classification as per Infomerics Nepal standards*

## Annexure-1: Details of Bank Facilities

Instrument/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long-Term Bank Facilities- Term Loan	Long-Term	1,006.30	IRN BB
Short-Term Bank Facilities- Working Capital Loan	Short-Term	20.00	IRN A4
Short-Term Bank Facilities – Non-Fund Based Loan	Short-Term	3.30	IRN A4
<b>Total</b>		<b>1,029.60</b>	

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# Infomerics Credit Rating Nepal Limited

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