

PRESS RELEASE

UNITED MEWA KHOLA HYDROPOWER LIMITED

July 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB (Is)	Reaffirmed
Long Term Bank Facilities	7,220.00	IRN BB	Reaffirmed
Short Term Bank Facilities	250.00	IRN A4	Reaffirmed
Total	7,470.00		

Details of facilities are in Annexure-1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed 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 reaffirmed the rating of IRN BB (Double B) assigned to the long-term bank facilities of NPR 7,220.00 Mn and IRN A4 (A Four) assigned to the short-term bank facilities of NPR 250.00 Mn.

Detailed Rationale

The reaffirmation of the ratings assigned to United Mewa Khola Hydropower Limited (UMKHL) and its bank facilities continue to derive strength from the strong promoter group, experienced management personnel, presence of institutional promoters, low tariff and offtake risk with the presence of a long-term Power Purchase Agreement (PPA) and low funding risk as the debt required for the project construction has already been tied up. The ratings also factor in the moderate counter party risk, low power evacuation risk, improving electricity demand and GoN¹ support for the power sector.

However, the ratings are mainly constrained by the execution risk associated with UMKHL's under construction 50 MW Mewa Khola Hydropower Project (MeKHP). 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 manage the timely completion of the project without any further time or cost overrun will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong promoter group with experienced directors/ management team

The company is majorly promoted by United Modi Hydropower Limited [[IRN BBB- \(Is\)](#)], operating a 9.9 MW- Lower Modi-1 Hydropower Project (LMHP) since November 24, 2012. Similarly, Subha Investment Holding Private Limited, Taksar Pikhua Khola Hydropower Private Limited (8 MW) and Suryatara Investment Private Limited are major institutional promoters. In addition, the company is managed under three-member board of directors chaired by Mr. Ashish Thapa, who has prior experience in hydropower sector and holds directorships in various entities. Other directors also have relevant experience in hydropower sector and the board is supported by experienced management team.

Low tariff and offtake risk with presence of a long-term PPA

UMKHL had entered into a long term PPA of 30 years from commercial operation date (COD) or till validity of Generation License, whichever is earlier, for sale of power to be generated from the 50 MW project. Furthermore, the tariff for wet/ dry season (6-6 months) is NPR 4.80/ 8.40 per kWh with

¹ Government of Nepal

3% escalation on base tariff every year for 8 times after completion of 12 months from COD. Additionally, the project is supported by high dry energy mix of ~32% with an average PLF of ~69%. The power generated from the project is proposed to be transmitted through ~7 km long 132kV transmission line to NEA's Dhungesanghu Substation.

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

The company is constructing 50 MW Mewa Khola Hydropower Project (MeKHP), with moderate financial progress ~79% of the total project cost achieved as of mid-March 2025. The total estimated cost of the project has increased to NPR 10,160.80 Mn including IDC (~NPR 203 Mn per MW), from the initial budget of NPR 9,000.00 Mn. The project is proposed to be financed in the debt: equity mix of ~71:29. As of mid-March 2025, promoters have fully infused the total equity component required for the project. ~40% of the equity required for the project (NPR 1,230.00 Mn) is proposed to be funded through the IPO. The debt component of the project mix has been tied up. The company is exposed to the risks associated with project implementation, without incurring further cost overrun or delays, as the project has already surpassed its Required Commercial Operation Date (RCOD) of February 12, 2025. The management expects commercial operations from mid-August 2025. The company has applied for the RCOD extension, however, in the event that the company fails to secure the extension from NEA, it may be subject to penalty and tariff escalation losses, which could impact its financial indicators. Extension of RCOD and timely issuance of IPO will remain key monitorable.

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. MeKHP utilize discharge from Mewa Khola which are based on perennial rivers. This exposes the projects to risks associated with variations in water discharge from these rivers.

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](#)

Past Rating Rationale:

[United Mewa Khola Hydropower Limited: Issuer Rating and Bank Facilities Rating Assigned](#)

About the Company:

United Mewa Khola Hydropower Limited (UMKHL), initially incorporated as a Private Limited company on June 01, 2010 and later converted into Public Limited company on July 06, 2023 to build, own and operate 50 MW run-of-river Mewa Khola Hydropower Project (MeKHP) in Meringden and Mikkwakhola Rural Municipality, Taplejung district of Nepal. The project has catchment area of 527 sq kms based on Perennial River with design discharge of the project is 33 m³/s at exceedance flow of 42%. The major shareholder of the company is United Modi Hydropower Limited, holding ~37% of shareholding of company as on Mid-March 2025.

Annexure-1: Details of Bank Facilities

Instrument/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long-Term Bank Facilities-Term Loan	Long-Term	7,220.00	IRN BB
Short-Term Bank Facilities-Working Capital Loan	Short-Term	250.00	IRN A4
Total		7,470.00	

Analyst Contacts

Mr. Girish Bhatta

+977-1-4583304/4585906

girish.bhatta@infomericsnepal.com

Ms. Samigya Acharya

+977-1-4583304/4585906

samigya.acharya@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

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com



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