

## PRESS RELEASE

### S.K. ENERGY DEVELOPMENT LIMITED

December 2025

#### Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	1,090.00 (enhanced from 956.00)	IRN B+	Upgraded from IRN B- and removed from Issuer not cooperating category
Short Term Bank Facilities	30.00	IRN A4	Removed from Issuer not cooperating category
<b>Total</b>	<b>1,120.00</b>		

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 1,090.00 Mn to IRN B+ (Single B Plus) from IRN B- 'INC' (Single B Minus, Issuer not cooperating) and reaffirmed the rating assigned to short term bank facilities of NPR 30.00 Mn to IRN A4 (A Four). The ratings have been removed from Issuer Not Cooperating category.

#### Detailed Rationale

The upgradation of ratings assigned to the bank facilities of S.K. Energy Development Limited (SKED) primarily reflects the steady progress achieved in the construction of the 7.2 MW Shyam Khola Hydropower Project (SKHP), with ~51% financial progress completed as of mid-November 2025, and low funding risk, given that the project has achieved financial closure. The ratings continue to derive comfort from the experienced and technically competent promoter group and management team, along with the presence of a long-term Power Purchase Agreement (PPA) with Nepal Electricity Authority (NEA) covering the majority of the project's operating life at predefined tariffs. The ratings also factor in moderate counterparty risk, improving demand-supply dynamics, and the Government of Nepal's supportive policies for the power sector. However, these strengths are partly offset by project implementation risk, arising from limited schedule headroom and a relatively tight construction timeline to achieve the Required Commercial Operation Date (RCOD) of May 06, 2026. The ratings also take into account the power evacuation risk, as evacuation is proposed through the Sitalpati substation currently under construction and scheduled for completion around the project's RCOD; any delays may adversely impact the power evacuation. Additionally, the project is exposed to hydrology risk, inherent to peaking run-of-the-river (PRoR) hydropower projects. Going forward, SKED's ability to complete the project within the stipulated cost and timelines and stabilize its operations thereafter will remain the key rating sensitivities.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

###### Experienced board of directors and promoters

SKED is governed by five-member board of directors, each with extensive expertise in various sectors. The board is chaired by Mr. Bir Bahadur Rai who has been involved in survey, design, contract management, construction and supervision of hydropower project of Nepal and abroad for almost 3 decades. Meanwhile, Mr. Sanukaji Chun Shrestha, Director, have extensive experience as 'A' class contractors, specializing in construction and development works. Likewise, promoters Mr. Bishwo Shrestha and Mr. Dawa Jangmu Shrestha Lama have got experience in design and construction of various hydropower for more than two decades. Furthermore, the board is supported by other experienced team members.

## Low tariff and offtake risks with presence of long term PPA

SKED had entered into a PPA with NEA as on November 03, 2022 for sale of 7.20 MW power to be generated from the project. The period of the PPA is 30 years from commercial operation date (COD) or till validity of Generation License (expires on Baisakh 11, 2115 BS), whichever is earlier. However, PPA period may be extended with mutual consensus during the last six month of validity. The tariff rates outlined in the Power Purchase Agreement (PPA) differ depending on the season. During the wet season (June - November), the rate is NPR 4.80 per kWh. In the dry season (December - May), the rate is divided into two categories based on peaking hours, at NPR 8.40 per kWh during non-peak hours and NPR 9.40 per kWh during peak hours. This arrangement significantly mitigates tariff volatility and offtake risk, ensuring predictable long-term revenue visibility.

## 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 7.2 MW Shyam Khola Hydropower Project (SKHP), with ~51% financial progress achieved till mid-November, 2025. The total estimated cost of the project is ~NPR 1,563 Mn (~NPR 217 Mn per MW) which is proposed to be financed in the debt: equity mix of 70:30. As of mid-November, 2025, promoters have infused NPR 407 Mn equity out of NPR 473 Mn total equity component required for the project. Also, the debt component of NPR 1,090 Mn required for the project has been tied up. Albeit the project has achieved moderate progress, the project is still exposed towards the risks associated with project implementation within the envisaged time and cost and stabilized operations thereafter. The RCOD of the project has been extended till May 06, 2026 from the initial RCOD of May 12, 2025. In the event that the company fails to completed the project by the RCOD, it will be liable for late COD penalty (5% of revenue that could have been generated in the period between RCOD and COD) and restriction in tariff escalations, which could adversely impact income prospects of SKED. Any further delays in construction than envisaged could further impact project returns and debt servicing capabilities.

### Hydrology risk

Peaking Run-of-the-river power (PRoR) projects are sensitive to both the availability of water storage and the timing of river flows, as their generation depends on releasing water during peak demand period. Prolonged low inflows or irregular rainfall can lead to operational strain and thus revenue loss. SKED is utilizing discharge from Shyam Khola located at Bhojpur District, having catchment area of 16.50 km<sup>2</sup>. Furthermore, lack of a deemed generation clause in 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 SKHP 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:**

[S.K. Energy Development Limited: Bank Facilities Rating Revised and moved to Issuer not Cooperating category with notice of withdrawal](#)

**About the Company:**

Incorporated on November 10, 2017, as a Private Limited, the company was subsequently converted into S.K. Energy Development Limited (SKED) on July 16, 2023. The company has been set up to build, own and operate the Shyam Khola Hydropower Project (SKHP), a Peaking-Run-Of-River (PRoR) project, with a capacity of 7.2 MW. The project is located in the Bhojpur district of Nepal. SKHP encompasses a catchment area of 16.5 km<sup>2</sup>, a design discharge of 0.986 m<sup>3</sup>/s at 44% PoE, and a gross head of 865.4m. As of mid-November 2025, the major stake is held by Mr. Santosh Shrestha holding 12% of total equity including share application.

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