PRESS RELEASE

UNION MEWA HYDROPOWER LIMITED

December 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	3,520.00	IRN BB-	Reaffirmed
Short Term Bank Facilities	120.00	IRN A4	Reaffirmed
Long Term/Short Term Bank Facilities	13.80	IRN BB-/A4	Reaffirmed
Total	**3,653.80**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB- (Double B Minus) assigned to the long term bank facilities of NPR 3,520.00 Mn, IRN A4 (A Four) to short term bank facilities of NPR 120.00 Mn and IRN BB-(Double B Minus) /A4 (A Four) to the long term/short term bank facilities of NPR 13.80 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Union Mewa Hydropower Limited (UMWHL) reflects the steady progress in the construction of the 23 MW run-of-river Mewa Khola Hydroelectric Project (MKHEP) with the physical progress reaching ~41.47% as on Mid-November 2025 as against ~34.44% as of November 2024, mainly towards civil and hydro-mechanical portions. The rating also factors in the company's proposal to augment capacity by an additional 1.4 MW raising total generation to 24.4 MW without any corresponding cost escalation which is expected to improve revenue potential and lower the per-MW cost over the project's life. Finalization of the power purchase agreement (PPA) for the incremental generation remains pending; therefore, the contracted energy volumes, tariff structure, and sale mix for the additional capacity are yet to be determined. Likewise, the ratings continue to take support from UMWHL's experienced promoters and management team, limited tariff and offtake risk due to the presence of a long-term power purchase agreement (PPA), and the project's high dry-energy mix. Additionally, the ratings consider moderate counterparty risk, improving electricity demand dynamics, and the Government of Nepal's supportive policies for the power sector.

The ratings, however, continue to be constrained by the execution risks inherent in UMWHL's ongoing hydropower project. The project remains exposed to hydrological variability associated with run-of-river (RoR) generation and the broader vulnerability of hydropower projects to natural calamities as evidenced by notable disruption in execution of the projects following the floods in Eastern Nepal in October 2024, which impaired site access by damaging approach roads and causing multiple blockages along the project route. The ratings also reflect delays in project commissioning, with the RCOD currently scheduled for December 29, 2025 and the company yet to secure an extension, potentially resulting in penalties and the loss of tariff escalation benefits. Additionally, the evacuation risk persists due to the ongoing construction of the 220 kV transmission line at the Dhungesangu substation under the scope of NEA which remains critical for timely grid connectivity.

Going forward, the company's ability to ensure timely completion of the project without incurring time or cost overruns, obtain the necessary RCOD extension, and finalize the PPA for the additional 1.4 MW of power at favorable terms will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team

UMWHL has four directors in its Board of Directors, chaired by Mr. Kiran Malla who has experience of more than three decades in various industries along with hydroelectric projects. Mr. Malla is also the Chairman of High Himalaya Hydro Construction. Furthermore, Mr. Brindaban Man Pradhananga, the Director, has more than 2 decades of work experience in Hydropower projects and is the managing director at Jade Infra Private Limited. The management team is led by Mr. Kiran Malla himself with Mr. Shishir Devkota as a Project Manager who has around a decade of experience in hydroelectric projects majorly relating to civil and construction works.

Low tariff and offtake risks with presence of a long-term PPA and high dry energy mix
UMWHL had entered into a long-term PPA of 30 years from the commercial operation date (COD) or till validity of the Generation License, whichever is earlier, for the sale of power to be generated from the 23 MW project. Furthermore, the tariff for wet/ dry season (6-6 months) is NPR 4.80/ 8.40 per kWh with a 3% escalation on base tariff 8 times every year after the completion of 12 months from the COD. Additionally, the project is supported by a high dry energy mix of ~31% with an average PLF of ~68%. Power generated from the project is proposed to be transmitted to NEA's Dhungesangu substation, which is in final stages of completion, through a 40 km 132 kV transmission line.

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 23 MW Mewa Khola Hydroelectric Project, which is in under construction with ~23% financial progress and 41% physical progress achieved till mid-November 2025, mostly towards access road development, construction of onsite camps and ongoing works relating to civil and hydro-mechanical works. The total estimated cost of the project is NPR 4,700 Mn, equivalent to NPR 204 Mn per MW, which is proposed to be financed in the debt: equity mix of 75:25. The debt component of the project mix has been tied up. The promoters have infused ~36% of the total equity requirement as of November 2025, and contracts for critical works such as civil and hydro-mechanical works have been awarded. The Required Commercial Operation date (RCOD) of the project is December 29, 2025 and the company is yet to secure an extension of RCOD, failure of which will potentially result in penalties and the loss of tariff escalation benefits, thus extension of RCOD remains crucial. The ability of management to complete the project by navigating through challenges posed by tough geographical terrain within estimated time and cost and secure extension of RCOD in a timely manner is key rating monitorable.

Hydrology risk associated with run-of-the-river power generation
ROR projects face direct exposure to the risks linked to fluctuations in water discharge from rivers, given that they lack the capacity for water storage. UMWHP is intended to utilize discharge from Mewa Khola having a catchment area of 66.75 sq km based on Perennial River with design discharge of the project is 3.15m^3/s at an exceedance flow of 40%. Insufficient water flow may lead to reduced energy output, affecting project performance and financial viability. Therefore, the project is exposed to risks linked with fluctuations in river water discharge. Furthermore, the lack of a deemed generation clause in the PPA leaves the project vulnerable to revenue losses during adverse conditions without compensation, which may have an impact on company's financial health.

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 UMWHP are inherently exposed to risk of these natural calamities, which may affect the project's execution, functioning and financial performance. The project faced temporary suspensions for a couple of months in FY23 and few weeks in FY24 as well as in FY25 due to floods in Mewa Khola, which disrupted access to the site by sweeping away access roads.

Analytical Approach: Standalone

Link to Past Rating Rationale:
Union Mewa Hydropower Limited: Bank Facilities Rating Revised

Applicable Criteria:
Power Projects Rating Methodology

About the Company:

United Mewa Hydropower Limited (UMWHL) was incorporated on August 14, 2016 to build, own and operate 23 MW run-of-river Mewa Khola, Mikwa Rural Municipality, Taplejung district of Nepal, for the sale of entire power. The project has catchment area of 66.75 sq kms based on Perennial River with design discharge of the project is 3.15 m3/s at exceedance flow of 40%. The major shareholder of the company is Mr. Kiran Malla, holding ~30% of shareholding of company as on Mid-July 2025. The company is proposing to increase the project capacity by 1.4 MW, bringing the total installed capacity to 24.4 MW. Although the Power Purchase Agreement (PPA) has not yet been finalized, a preliminary contract energy schedule has been established. Based on this provisional schedule, the project is expected to achieve a Plant Load Factor (PLF) of 69.73%, with a dry-season to wet-season energy mix of 30.32% and 69.68%, respectively.

Annexure 1: Detail of Facilities

Instrument/Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities-Term Loan	Long-Term	3,520.00	IRN BB-
Short Term Bank Facilities-Working Capital Loan	Short-Term	120.00	IRN A4
Long Term/ Short Term – Bank Guarantee	Long-Term/Short-Term	13.80	IRN BB-/A4
Total		**3,653.80**	

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About Infomerics Credit Rating Nepal Limited:
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