

## PRESS RELEASE

### **BALEPHI HYDROPOWER LIMITED**

January 2026

#### Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BB- (Is)	Reaffirmed and Removed from Watch with Developing Implications
Long Term Bank Facilities	5,380.00 (Reduced from 6,674.71)	IRN BB-	Reaffirmed and Removed from Watch with Developing Implications
Short Term Bank Facilities	100.00	IRN A4	Reaffirmed and Removed from Watch with Developing Implications
<b>Total</b>	<b>5,480.00</b>		

*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 Minus (Issuer)]. Issuers with this rating are considered to have the moderate risk of default regarding timely servicing of financial obligations.

Infomerics Nepal has also reaffirmed the rating of IRN BB- (Double B Minus) assigned to the long-term bank facilities of NPR 5,380.00 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 100.00 Mn. Likewise, the ratings have been removed from watch with Developing Implications.

#### Detailed Rationale

The reaffirmation and removal of ratings assigned to Balephi Hydropower Limited (BHL) and its bank facilities from credit watch with developing implications primarily takes into account the moderate Plant Load Factor (PLF) of ~90% of contracted energy during the first four months of FY26 ending mid-November 2025. The ratings also factor in improvement in its capital structure with a moderate overall gearing ratio of 2.12x as on mid-July 2025 vis-à-vis 7.78x in FY24 owing to successful issuance of right shares. The ratings continue to derive strength from the experienced seven-member board of directors and well diverse management personnel team. The ratings also continue to factor in the improving demand for electricity and Government of Nepal (GoN) support for the power sector.

Nonetheless, the ratings remain constrained by BHL's operational challenges, which led to a significant short-supply penalty of NPR 23.38 Mn in FY25 amid inability to maintain a PLF above 80% of contracted energy. This shortfall, driven by lower hydrology and infrastructure issues, highlights recurring risks that could further impact profitability. Consequently, BHL's financial risk profile remains modest, with TOI deteriorating further to NPR 830 Mn in FY25 from NPR 845 Mn in FY24, and deterioration in EBITDA margin from 75.94% to 61.30% amid significant repair and maintenance expenses. The company continues to report net losses because of high depreciation and finance costs. Similarly, the interest coverage ratio remained modest at 0.91x in FY25 albeit improved from 0.84x in FY24. Going forward, the ability of the company to further improve its PLF on a sustained basis, strengthen its financial performance, capitalization and coverage indicators will remain key rating sensitivities.

#### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

## **Experienced Board of Directors and management**

BHL is governed by a seven membered board of directors chaired by Mr. Bidur Puri. Mr. Puri brings in over a decade of experience in manufacturing and service industries. He currently holds a key executive position as Corporate Manager at Shanker Group also. Similarly, other directors also possess relevant experience across diverse industries. Furthermore, Mr. Subash Aryal, CEO, also has over a decade of experience in various sectors. The experienced and qualified pool of the board and top management is expected to support the business risk profile going forward.

## **Power Purchase Agreement covering the majority of the project's lifespan, at predetermined rates.**

On 15 December 2015, BHL and NEA had a long-term PPA in place for 30 years from COD, for the sale of 36 MW of power that would be generated by the project. The total 36MW's contracted Plant Load Factor (PLF) is 67.49%. Tariff rate as per PPA for 36 MW is NPR 4.80 per kWh for wet season (mid-April to mid- December) and NPR 8.40 per kWh for dry season (mid-December to mid- April) with 3% annual escalation on base tariff for eight times after completion of 12 months from COD. However, the project was liable to sizeable penalties and loss of tariff escalations of one year amid delayed project execution from its Required Commercial Operation Date (RCOD).

## **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**

### **PLF below 80% of contracted energy leading to short supply penalty in FY25, improvement in 4MFY26**

When the company fails to supply at least 80% of the contracted energy or the declared availability, whichever is lower, except in situations beyond its control, it shall be liable to pay a short supply penalty equal to 80% of the differential at the applicable tariff rate for the respective month. In FY25, BHL was unable to achieve the projected hydrology, with generation ranging between 48% and 78%. Consequently, the total penalty paid amounted to ~NPR 23.38 Mn, compared to a penalty of ~ NPR 49.97 Mn in FY23. However, the management expects this penalty to be refunded in coming years as this penalty was due to short supply resulting from force majeure. The amount has been partially refunded during FY26, remaining also expected to be refunded soon. Although the penalty decreased in FY25 compared to FY24, the company continues to incur short supply penalties even after two-three years of operation. This is mainly due to issues encountered in civil structures and machinery breakdowns. Such recurring penalties pose a future risk, as the company may be required to consistently pay penalties to NEA due to short-term supply shortfalls, thereby adversely impacting its profitability.

### **Modest financial risk profile**

The project has been in operation since August 22, 2022. During FY24(A), the operational PLF (Plant Load Factor) had been ~50% of generation energy (~74% of contracted energy). The PLF in FY25 stood at ~46% of generation energy (~71% of contracted energy) in FY25 (UA). The decline in PLF was mainly due to machinery breakdown, coupled with low hydrology and hydromechanical problems.

The total operating income (TOI) stood at 830 Mn in FY25 decreased from NPR 845 Mn in FY24. The EBITDA margin stood at ~61% in FY25, declining from ~76% in FY24, mainly due to increase in repair and maintenance expenses. Consequently, the company incurred net losses in both FY24 and FY25 amid high depreciation and repair and maintenance cost leading to negative Gross Cash Accruals. Also, the company's capital structure stood moderately leveraged with the overall gearing ratio of 2.12x as of mid-July 2025, albeit improved significantly from 7.51x in FY24 (5.10x in FY23). Furthermore, the interest coverage ratio below unity at 0.91x and 0.84x in FY24 and FY25 respectively. The ability of the company to improve its financial risk profile will remain key monitorable.

## Hydrology risk associated with ROR projects

Run-of-the-river (ROR) projects have no or little capacity for storage of water leading to high dependence on the river water flow for power generation. Due to this, these projects have higher generation during wet season and lower during dry season. ROR projects are directly exposed to risk associated with variation in discharge of water from the river. The project has 20.80 m<sup>3</sup>/s design discharge at 41.60% exceedance flow. Further, 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. Nonetheless, the project river "Balephi Khola" is a snow fed river, which lowers the concern to some extent.

**Analytical Approach:** Standalone

## Applicable Criteria:

[Issuer Rating Methodology](#)

[Corporate Credit Rating Methodology](#)

## Past Rating Rationale:

[Balephi Hydropower Limited: Issuer Rating & Bank Facilities Rating Reaffirmed and placed on watch with developing implications](#)

[Balephi Hydropower Limited: Issuer Rating and Bank Facilities Rating Reaffirmed](#)

## About the Company:

Balephi Hydropower Limited (BHL) was initially incorporated in February 2012 as a private limited company and was later converted to public limited in January 2017 to encourage public participation. The company currently operates 36 MW operational project, Upper Balephi-A Hydroelectric Project (UBAHEP), located at Sindhupalchowk district of Nepal. The project has been in commercial operation since November 22, 2022. UBAHEP, a run of river covers a catchment area of 434 km<sup>2</sup>, has a design discharge of 20.80m<sup>3</sup> /s at 41.60% PoE with gross head of 208m. BHL has a paid-up capital of NPR 3,655.94 Mn, as of January 2026, all of which is held by public. The major promoters as on date include Mr. Sushil Gupta (4.34%), Ms. Prabha Goenka Bhimsaria (3.98%), Mr. Sandeep Kumar Sharda (3.76%) and Mr. Bachhu Paudel (2.60%), among others.

## Financial Indicators (Standalone)

For the year ended** As on	FY23*	FY24	FY25	Q1FY26
	Audited	Audited	Provisional	Provisional
Total Operating Income (NPR Mn)	559	845	830	347
EBITDA Margin (%)	89.40	75.94	61.30	98.78
Interest Coverage Ratio (x)	0.99	0.84	0.91	2.22
Current Ratio (x)	0.71	0.78	0.54	8.80
Overall Gearing Ratio (x)	5.10	7.51	2.12	2.03

\*Operational for 8 months only

\*\*Classification as per Infomerics Nepal standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

## Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	5,380.00	IRN BB-
Fund Based Bank Facilities- Short Term Loan	Short Term	100.00	IRN A4
<b>Total Facilities</b>		<b>5,480.00</b>	

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## About Infomerics Credit Rating Nepal Limited:

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