PRESS RELEASE

BARUN INVESTMENT LIMITED

January 2026

Rating

Instrument	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN B+ (Is)	Reaffirmed

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

Detailed Rationale

The reaffirmation of the rating assigned to Barun Investment Limited (BIL) primarily factors in a marginal improvement in its liquidity position, driven by the listing of one of its investee companies, M/S Bungal Hydropower Limited, in the secondary market. This development enhances the potential for future income generation through capital gains upon exit, although the investment remains subject to a lock-in period extending until September 2028. The rating continues to derive strength from its unlevered capital structure and negligible TOL/TNW (Total Outside Liability/Tangible Net Worth) with significant investments in four hydropower companies being entirely funded through equity contributions. The rating also derives strength from satisfactory operation of its investee companies during FY25 albeit stabilization risks persist. The rating continues to derive strength from its promoters belonging to SG group, it's strong board profile along with its average financial profile, which has been bolstered by the addition of a new revenue stream in the form of consultancy fees earned from advisory services provided to group entities.

Nonetheless, the rating remains constrained by the sizeable and concentrated investment portfolio, largely skewed towards the hydropower sector through promoter shareholdings in unlisted companies (with the exception of M/s Bungal Hydropower Limited). This concentration results in liquidity constraints, as BIL currently lacks additional significant revenue drivers over the short to medium term. Additionally, BIL faces exposure to the project stabilization risks of three hydropower projects in their early stages of operation, compounded by hydrology risks associated with run-of-the-river (ROR) power generation. Furthermore, the company faces project implementation risks and the long gestation period of its under-construction project under its investee company, Gurans Hydro Limited [IRN BB-/A4]. Going forward, BIL's ability to utilize funds from IPO, and generate adequate returns to improve its financial profile will remain key sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and directors

BIL is promoted by business professionals with significant expertise in trading, manufacturing, hydropower, hospitality, real estate, and other sectors. SG Group is the major promoter, holding ~60% of the company's shares. The group has an established history across diverse industries, including LPG bottling, automobiles, hydropower, and construction. BIL operates under the strategic direction of a four-member board of directors, each bringing extensive experience across various fields and is chaired by Mr. Shiva Prasad Ghimire. Mr. Ghimire has over three decades of experience in manufacturing, hydropower and trading sector amongst others.

Unlevered capital structure

BIL operates exclusively on equity funding. The company has invested in four hydropower companies through contribution from its equity shareholders. The overall gearing ratio in FY23 stood negligible at 0.05x due to loan obtained from directors. This was fully repaid in FY24 reducing the gearing ratio to nil and has remained same ever since. This unleveraged position enhances financial flexibility, allowing the company to allocate resources more efficiently and maintain robust liquidity buffers. Additionally, the absence of debt obligations reduces the risk of default, thereby ensuring greater stability and resilience during economic downturns.

Average financial risk profile

BIL's primary source of income is dividend from the investee companies. However, the investee companies have not yet provided dividends due to initial phase of operation of three of its investee companies, and the fourth one under construction. In FY25, BIL added consultancy income from advisory services provided to group entities, generating NPR 6 Mn, comparable to the total operating income of FY24 (~NPR 6 Mn), which was largely supported by profit on asset disposals. The addition of consultancy income has provided BIL with stable revenue source to meet its operating obligation over short to medium term. The EBITDA margin however has moderated from ~16% in FY24 to ~11% in FY25 due to stabilization of income and higher operating expenses driven by inflationary pressures. Given the debt-free capital structure, the absence of finance costs resulted in a narrow gap between operating and PAT margins, with PAT margins declining to ~8% in FY25 from ~11% in FY24. Going forward, the ability of management to improve its financial profile over long run remains key rating monitorable.

Key Rating Weaknesses

Sizeable and concentrated investments

BIL's investment is primarily focused on long term investments in hydropower projects. BIL has invested, including equity and advance for equity, ~NPR 131 Mn in 41.06 MW Sankhuwa Khola HEP (Gurans Hydro Limited), ~NPR 198 Mn in 38.46 MW Upper Kalangad HEP (Sanigad Hydro Limited), ~NPR 101 Mn in 15.33 MW Kalangad HEP (Kalanga Hydro Limited) and ~NPR 67 Mn in 10.70 MW Upper Sanigad HEP (Bungal Hydro Limited). Currently, BIL's investment portfolio is concentrated in promoter shares of these hydropower projects, which have limited liquidity as the investee companies are unlisted barring M/S Bungal Hydropower Limited. The listing of one of its investee companies, M/S Bungal Hydropower Limited, in the secondary market has caused marginal improvement in its liquidity position though lock in period persists till September 2028. In addition, the remaining two operational projects are in due process of getting listed and once the lock-in period expires, these investments are expected to become freely tradeable, thereby enhancing the company's liquidity profile in the longer term.

Project stabilization risks and hydrology risks associated with the run-of-the-river (ROR) power generation

BIL faces project stabilization risks and hydrology risks associated with its run-of-the-river (ROR) power generation projects. The 38.46 MW Upper Kalangad HEP, 15.33 MW Kalangad HEP and 10.70 MW Upper Sanigad HEP have recently started commercial operation during FY23-24. As these projects are in their early stages of operation, the stabilization and optimization of production in the coming years remain critical for generation of returns from these projects. Additionally, being ROR projects, all three ventures are directly exposed to the risks associated with variations in water discharge from their respective river streams. These fluctuations in water flow may impact the revenue generation of the companies in which BIL has invested through equity share capital or loans and advances.

Project implementation risk coupled with long gestation period for upcoming projects

BIL plans to invest NPR 181 Mn in 41.07 MW Sankhuwa Khola HEP being developed by Gurans Hydro Limited out of which NPR 131 Mn has already been infused, while remaining amount will be invested from proceeds of IPO. GHL has secured PPA, generation license and its debt has been tied up. However, it is still under nascent stages of construction as it has achieved only ~14% financial progress as of Mid-November 2025 exposing them to significant project implementation risks. The project is expected to have long gestation periods. Going forward the timely and adequate deployment of funds collected from the public issue, along with the company's ability to generate adequate returns from these prospective projects is yet to be seen and remains a key rating sensitivity.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology
Corporate Credit Rating Methodology

Past Rating Rationale:
Barun Investment Limited: Issuer Rating Revised

About the Company:
Barun Investment was incorporated in May 2015 as a private limited company and was converted to public limited company in July 2021. Barun Investment Limited (BIL) has made investments in four hydropower projects through its investee companies: Sanigad Hydro Limited (38.46 MW), Kalanga Hydro Limited (15.33 MW), Bungal Hydro Limited (10.40 MW), and Gurans Hydro Limited (41.06 MW). The company's registered and corporate office is situated in Lalitpur-04, Nepal. The major shareholders of BIL include Mr. Shiva Prasad Ghimire (40.35%), Mr. Sugam Ghimire (15.69%), Mrs. Shweta Dahal (9.35%) and Mr. Umesh Dhakal (6.17%).

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	1	10	6	6
Tangible Net Worth (NPR Mn)	367	373	503	504
EBITDA Margin (%)	17.63	90.46	15.50	10.89
Interest Coverage Ratio (x)	NA	NA	NA	NA
Current Ratio (x)	0.83	NA	7.82	5.57
TOL/TNW (x)	0.03	0.05	0.00	0.00
Overall Gearing Ratio (x)	0.03	0.05	0.00	0.00

**Classification as per Infomerics Nepal standards*
Earnings before Interest Tax Depreciation Amortization (EBITDA)

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