PRESS RELEASE

MAYA KHOLA HYDROPOWER COMPANY LIMITED

March 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BB- (Is)	Assigned
Long Term Bank Facilities	2,310.91	IRN BB-	Assigned
Short Term Bank Facilities	75.00	IRN A4	Assigned
Total	**2,385.91**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB- (Double B Minus) to the long-term bank facilities of NPR 2,310.91 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 75.00 Mn.
Also, Infomerics Nepal has assigned 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.

Detailed Rationale

The ratings assigned to Maya Khola Hydropower Company Limited (MKHC) and its bank facilities derive strength from its experienced promoters and the management team. Also, the company's financial performance has been improving with Total Operating Income (TOI) registering a y-o-y growth of ~196% ending FY25 supported by improved plant availability, with continued revenue traction in H1FY26. Similarly, the ratings also take note of presence of long term Power Purchase Agreement (PPA) covering majority of the project's lifespan, at predetermined rates, low power evacuation risk and improving demand for electricity and Government of Nepal support for the power sector.
Nonetheless, the ratings remain constrained by MKHC's leveraged capital structure marked by overall gearing ratio of 3.96x as of mid-July 2025 and 3.66x as of mid-January 2026, typical of debt-funded hydropower projects, modest debt coverage indicators, historical volatility in generation leading to short supply penalties, and inherent hydrology risks associated with run-of-the-river projects. Going forward, the company's ability to sustain improvement in generation, improve its capital structure, and timely conclude right share issuance and its utilization as envisaged remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team

MKHC benefits from an experienced promoter group and senior management team with established track record in the development and operation of hydropower projects. The company is governed by a seven-member Board of Directors chaired by Mr. Dinesh Prasad Shrestha, who brings over three decades of professional experience. The day-to-day operations are overseen by a seasoned management team, led by Mr. Bharat Thapa, Project coordinator, who has more than 25 years of experience in the hydropower sector. The experienced leadership team provides operational stability and supports effective project execution and performance monitoring.

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

MKHC had entered into a PPA with NEA as on December 15, 2013 for sale of 14.9 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 (obtained on June 09, 2014 for 35 years), whichever is earlier. PPA period may be extended with mutual consensus during the last six month of validity. The tariff for wet season (mid-April to mid- December) is NPR 4.80 per kWh and for dry season (mid-December to mid-April) is NPR 8.40 per kWh with 3% escalation on base tariff for 5 times in every year after completion of 12 months from COD. The net contracted energy for the project is ~82 GWh with ~12 GWh energy in dry season and ~69 GWh in wet season in a proportion of ~18:82 for dry and wet season at contract PLF of 62.49%.

Moderate financial and operational performance

MKHC achieved COD in July 2023 (with FY23 reflecting only 10 days of operations). FY24 performance was impacted by generator-related technical issues, resulting in low PLF and subdued Total Operating income (TOI) of NPR 119 Mn and EBITDA of NPR 69 Mn. High depreciation and interest costs led to a net loss of NPR 328 Mn and negative Gross Cash Accruals (GCA). In FY25, improved plant availability supported recovery, with TOI increasing to NPR 297 Mn and EBITDA to NPR 241 Mn with EBITDA margin of ~81%. Although the company reported a marginal net loss of NPR 43 Mn due to elevated interest costs, GCA turned positive at NPR 88 Mn. Performance strengthened further in H1FY26 following generator replacement and operational stabilization, with TOI of NPR 247 Mn and EBITDA of NPR 201 Mn with a healthy EBITDA margin of ~87%. The company reported PAT of NPR 52 Mn and GCA of NPR 118 Mn, indicating improved operating efficiency and cash flow generation.

Improving market demand with Government support for the power sector

According to the NEA's Annual Report, the annual peak electricity demand during FY23 was 1,870 MW from 1,748 MW during FY22. Additionally, the total energy demand for the time period was 8,850 GWh during FY21 which increased to 11,064 MW during FY22 which further increased to 12,369 MW during FY23 of which 1,833 GWh were imported from India and the remaining was generated domestically. The total export to India soared to 1,333 GWh in FY23 against 493 GWh in FY22. With this the net import of electricity reduced to ~510 GWh representing ~4.12% of total electricity available. Further, NEA has earned ~NPR 10.54 Bn from exporting electricity to India in FY23. Hence, the prospects remain positive in view of improving generation, growing demand with scope of export. Also, GoN considers hydropower generation as priority sector and intends to maximize private sector participation in the generation of hydroelectricity by offering different exemptions and facilities. Individuals or entities commencing commercial operations, transmission, and distribution of electricity before Mid-April 2027 are eligible for a 100% income-tax exemption for the first 10 years followed a 50% exemption for the next five years.

Key Rating Weaknesses

Leveraged capital structure with weak debt coverage metrics

The overall gearing ratio increased from 2.27x at the end of FY23 to 3.53x at the end of FY24 and peaked at 3.96x at the end of FY25, before moderating to 3.66x at the end of H1FY26. The elevated gearing levels are primarily attributable to the debt-funded nature of the project, which was implemented at a total cost of ~NPR 3,370 Mn, with equity component of NPR 1,000 Mn and debt component of ~NPR 2,450 Mn. With improvement in profitability in H1FY26 following stabilization of plant operations, tangible net worth has started to recover, leading to a moderation in gearing. The interest coverage ratio improved to 1.15x in FY25 which was below unity in previous FYs. MKHC has proposed a 1:1 rights issue for total amount of NPR 1,000 Mn, with proceeds proposed for the prepayment of long-term debt. Upon successful execution, this capital infusion is expected to significantly reduce leverage, improve the overall gearing ratio and enhance financial flexibility going forward.

Short Supply Penalty Risk

Post COD in July 2023, FY24 (the first full year of operations) witnessed subdued generation with

PLF of ~34%, leading to material short supply and penalty outgo of NPR 34.98 Mn (FY23: NPR 2.44 Mn). The underperformance was primarily attributable to generator-related technical issues and hydrological constraints. With improvement in plant availability, PLF increased to ~69% of contracted energy in FY25 (FY24: ~34%), and penalty outgo declined to NPR 10.49 Mn, though exposure persisted during lean months. Notably, no short supply penalty has been reported in H1FY26 following generator replacement and operational stabilization with PLF of ~88% of the contracted energy. Thus, the company's ability to sustain improvement in PLF and generation levels, ensuring timely fulfillment of contracted energy obligations and avoid the short supply penalties over the medium term, will be a key monitorable.

Hydrology risk associated with R-o-R 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 4.30 m3/s design discharge at 40% 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.

Analytical Approach: Standalone

Applicable Criteria:
[Corporate Credit Rating Methodology]
[Issuer Rating Methodology]

About the Company:
Maya Khola Hydropower Company Limited (MKHC) is a public limited company having corporate office located at Dhumbarahi, Kathmandu. The company was earlier incorporated as Maya Khola Hydropower Company Private Limited on May 28, 2010 and later was converted to public limited on December 02, 2016. MKHC has one run-of-river type project namely Maya Khola Hydropower Project (MKHP) of 14.9 MW capacity. The project is located in Mamling VDC of Sankhuwasabha District of Koshi Zone in the eastern region of Nepal. MKHC is led by the Chairman Mr. Dinesh Prasad Shrestha. As of mid-January 2026, M/s Pashupati Venture Limited holds the major shareholding (14%) followed by M/s Prabhu Insurance Limited (5%).

Financial Indicators (Standalone)

For the year ended* As on	FY23#	FY24	FY25	H1FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	5	119	297	231
EBITDA Margin (%)	(155.18)	58.07	81.09	87.19
Interest Coverage Ratio (x)	(1.12)	0.25	1.15	2.09
Current Ratio (x)	0.29	0.12	0.19	0.40
TOL/TNW (x)	2.43	4.05	4.34	3.92
Overall Gearing Ratio (x)	2.27	3.53	3.96	3.66

**Classification as per Infomerics Nepal standards*
#Operational for 10 days
Earnings before Interest Tax Depreciation Amortization (EBITDA)
Total Outside Liabilities/Tangible Net worth (TOL/TNW)

Annexure:1 Detail of Facilities:

Name of Instruments/Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	2,310.91	IRN BB-

Name of Instruments/Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Overdraft	Short Term	75.00	IRN A4
Total Facilities		**2,385.91**	

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About Infomerics Credit Rating Nepal Limited:
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