

PRESS RELEASE

UNITED MODI HYDROPOWER LIMITED

April 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BBB- (Is)	Reaffirmed
Long Term Bank Facilities	750.00 (Reduced from 772.00)	IRN BBB-	Reaffirmed
Short Term Bank Facilities	50.00	IRN A3	Reaffirmed
Total	800.00		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed an issuer rating of IRN BBB- (Is) [Triple B Minus (Issuer)]. Issuers with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations.

Also, Infomerics Nepal has reaffirmed bank loan rating of IRN BBB- (Triple B Minus) assigned to long term bank facilities of NPR 750.00 Mn, and IRN A3 (A Three) assigned to short term bank facilities of NPR 50.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to United Modi Hydropower Limited (UMHL) and its bank facilities continue to derive strength from experienced promoters and management team along with Power Purchase Agreement (PPA) covering the majority of the project's lifespan, at predetermined rates. The ratings also factor in steady operational performance characterized by identical revenue from electricity sales (NPR ~283 Mn) and healthy PLF in FY25 (~81% of contracted energy) vis-à-vis FY24 (~ NPR 283 Mn and ~80% of contracted energy) and healthy uptick in profitability (~60% uptick in PAT in FY25 over FY24) owing to reduced interest obligations amidst excess liquidity and reduced borrowing level. Healthy generation of profit has led to accretion of GCA and reserves leading to improved coverage indicators (Interest Coverage Ratio of 2.85x in FY25 vis-à-vis 2.08x in FY24) and comfortable capital structure (Overall gearing ratio of 0.58x in FY25 vis-à-vis 0.65x in FY24). The ratings also take into account the moderate counter party risk, improving demand for electricity and GoN¹ support for the power sector.

However, these rating strengths are partially offset by the stabilization risk associated with investee company, United Mewa Khola Hydropower Limited (UMKHL)'s, recently completed hydropower project. Similarly, hydrology risk associated with the run of river (ROR) project and risk of natural calamities has also been factored. Going forward, the ability of the company to reduce the gap between contracted plant load factor (PLF) and operational PLF on a sustained basis along with the stabilization of investee project and its expected realization will be the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team

UMHL is majorly promoted by individual shareholders. The company is managed under the seven-member board of directors chaired by Mr. Nabin Silwal who has over 7 years of experience in various industries including hydropower generation. Mr. Sunil Bhakta Shrestha, Director, has over 29 years of experience in various industries. The directors of the company are supported by a team of

¹ Government of Nepal

experienced management team with Mr. Bipin Sharma Paudel as a Plant Manager who has over 10 years of experience in the hydropower sector.

Comfortable capital structure along with satisfactory operational performance

The operational performance of UMHL in FY25 has been similar to FY24, with UMHL recording near identical TOI in FY25 (NPR 282.68 vis-à-vis NPR 282.64 in FY24) while TOI has reached NPR151 Mn till Mid-January 2026. PLF has improved slightly to ~57% in FY25 from ~56% in FY24. However, the EBITDA margin has declined by 3% owing to inflationary pressures reaching ~72% in FY25 from ~75% in FY24 (~71% in H1FY26). However, due to excess liquidity, the interest expenses have reduced by more than ~30% driving the PBT and PAT up in FY25 with PAT increasing by ~60% reaching ~NPR 51 Mn in FY25 from ~NPR 32 Mn in FY24. The company continues to generate healthy PAT in FY26 with same reaching ~NPR 38 Mn till Mid-January 2026. Owing to improved profitability amidst lowered interest and depreciation expenses, Gross Cash Accruals (GCA) also rose with GCA increasing to NPR 124 Mn in FY25 from NPR 106 Mn in FY24 (H1FY26: ~NPR 70 Mn). The improved profitability metrics with healthy cash flow, and the timely repayment of debt has reduced the leverage position, which overall gearing ratio standing below 1x at 0.55x as of mid-January 2026 (0.58x in Mid-July 2025). The interest coverage now stands at 3.89x in Mid-January 2026 against 2.85x in FY25 and 2.08x in FY24. Likewise, DSCR improved to 1.96x in FY25 owing to improved profit. With expected issuance of right shares, which will be used to repay the debt completely, UMHL plans to be debt free in near future and will remain key rating monitorable.

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

The project is constructed under BOOT (Build, Own, Operate and Transfer) mechanism for which the company obtained Generation License, from Government of Nepal – Ministry of Energy, on August 18, 2009, valid for 35 years from the license obtained date. UMHL has a power purchase agreement with Nepal Electricity Authority (NEA) for a period of 30 years from Required Commercial Operation Date (RCOD) which may also be extended with mutual consensus through discussion from last six month of validity. The tariff for the wet season (mid-April to mid-December) is NPR 4 per kWh and for the dry season is NPR 7 per kWh with 3% annual escalation on the base tariff nine times. By the Government's initiative to promote hydropower development, the company had entered into a promotional tariff rate agreement of NPR 4.80 and NPR 8.40 (for wet and dry seasons, respectively) with 3% annual escalation for five times on the base tariff which were availed up to mid-December 2019. Power generated by the project is evacuated through a 4 km long 132 kVA single circuit transmission line to the switchyard of current project and then through common line to NEA Modi Substation at Patichaur, Parbat district. The contracted energy for the project is 61.01 million units (MUs). Also, the counter party payment risk pertaining to NEA is moderate as it is fully owned by Government of Nepal and has been regular in making payments to independent power producers (IPPs).

Favorable government policies towards 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

Investment in under-construction project having execution and evacuation risk

UMHL has invested ~30% of the equity shares of United Mewa Khola Hydropower Private Limited ([IRN BB/A4](#)) (UMKHL: 50 MW under-construction project). As per management, the project is under test runs and management expects commercial operations within April 2026. However, The COD, initially set for February 2025, has been delayed and certain fines is expected to be levied from the project. The income from the investment will depend on the project's performance after successful commercial operation. So, despite reduction in project implementation risk, the project stabilization risk still persists. Even after execution of the project, the income from investment will depend upon the satisfactory performance of the project.

Hydrology risk associated with run-of-the-river power generation

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, such kind of projects have higher generation during wet season (Mid-April to Mid-December) and lower during dry season (Mid-Dec to Mid-April). ROR projects are directly exposed to risk associated with variation in discharge of water from the river. UMHL is currently utilizing discharge from tailrace of Modi Khola located at Kaski District. Further, in absence of a deemed generation clause in the PPA, the project is exposed to hydrology risk in case of adverse river flow without receiving any compensation for such losses from NEA.

Risk of natural calamities

Hydropower projects are vulnerable to risks from natural disasters such as floods, landslides, and earthquakes, as they are often located in challenging terrains with uncertain geology. These events can disrupt infrastructure, causing construction delays, inflated costs, and interruptions in power generation and evacuation, which in turn impact financial performance. For companies like UMHL, the risk of natural calamities poses significant challenges to project execution, operation, and financial stability. Additionally, given that the company has only one project, the occurrence of such events increases the risk of financial overruns and negative impacts on financial indicators.

Analytical Approach: Standalone

Applicable Criteria:

[Power Projects Rating Methodology](#)

[Issuer Rating Methodology](#)

Past Rating Rationale:

[United Modi Hydropower Limited: Issuer Rating and Bank Facilities Ratings Reaffirmed](#)

About the Company:

UMHL is a public limited company having corporate office located at Kamaladi, Kathmandu. The company was earlier incorporated as a private limited company which was later converted to public limited to encourage public participation. The company has a 9.9 MW operational project, Lower Modi-1 Hydropower Project (LMHP), located at Kushma-08, Parbat, Nepal. The project came into commercial operation on November 24, 2012. LMHP has 575 km² catchment area & 27.0 m³/s design discharge at 40% PoE² with gross head of 50m. As on 16th July 2025, M/S Laxmi Sunrise Bank Limited holds the major share at 2.9% followed by Mr. Ashish Thapa and Mr. Shyam Sundar Khetan holding 2.7% and 1.6% respectively.

² Probability of Exceedance

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	H1FY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (in NPR Mn)	254	295	283	283	151
EBITDA Margin (%)	60.98	73.25	75.02	72.88	71.11
Interest Coverage Ratio (x)	1.56	1.79	2.08	2.85	3.89
Current Ratio (x)	0.75**	0.40	1.15	2.40	3.55
Overall Gearing Ratio (x)	0.87	0.75	0.65	0.58	0.55
Total Outside Liabilities/Tangible Net Worth (x)	0.94	0.81	0.72	0.63	0.60

Earnings before Interest Tax Depreciation Amortization (EBITDA)

*Classification as per Infomerics Nepal standards

** Reclassification of Fixed Term Loan as Current and Non-current portion as per Nepal Financial Reporting Standard (NFRS).

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	750.00	IRN BBB-
Fund Based Bank Facilities-Working Capital Loan	Short Term	50.00	IRN A3
Total Facilities		800.00	

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About Infomerics Credit Rating Nepal Limited:

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