

PRESS RELEASE

CHINO HYDROPOWER LIMITED

May 2026

Rating

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	1,352.80	IRN BB-	Upgraded from IRN B+
Short Term Bank Facilities	5.00	IRN A4	Assigned
Total	1,357.80		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating assigned to the long-term bank facilities of NPR 1,352.80 Mn to IRN BB- (Double B Minus) from IRN B+ (Single B Plus). Also, Infomerics Nepal has assigned the rating of IRN A4 (A Four) to the short-term bank facilities of NPR 5.00 Mn.

Detailed Rationale

The upgradation of the rating assigned to the bank facilities of Chino Hydropower Limited (CHL) factors in ~30% physical progress as of mid-May 2026 and ~25% financial progress as of April 29, 2026 (management certified) as well as financial closure achieved by the project, securing entire project debt component. Also, the rating continues to derive strength from experienced and resourceful promoters along with low tariff and offtake risk with the presence of a long-term Power Purchase Agreement (PPA) and high dry energy mix. The company is majorly promoted by Butwal Power Company Limited (BPCL) [[IRN A- \(Is\)](#)]. The rating also factors in the moderate counter party risk, improving electricity demand and GoN¹ support for the power sector.

However, the rating remains constrained by project implementation risk associated with CHL's under construction 7.832 MW (Generation License obtained for 7.9 MW capacity) given early stages of construction of Chino Khola Hydropower Project (CKHP). The company has awarded the major contracts for the project, moderating implementation risk to an extent. The debt component required for the project has been tied up, which substantially alleviates funding risk, albeit funding risk associated with equity portion persists. Furthermore, the project is exposed to the hydrology risk associated with run-of-river (ROR) power generation arrangement and vulnerability to natural calamities. Going forward, the ability of the company to timely complete the project construction without any time or cost overrun will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced and resourceful promoter

The company is promoted by Butwal Power Company Limited, a prominent company in generation and distribution of hydroelectric power in Nepal. The company has four membered board of directors, chaired by Mr. Bijay Bahadur Shrestha, who has experience of over 38 years including more than 2 decades of experience in hydropower sector. Furthermore, the company is managed under experienced management team led by Mr. Ganesh Prasad Khanal, Chief Executive officer, with more than three decades of experience in planning, development, design and implementation of Hydropower Projects.

Low tariff and offtake risks with presence of a long-term PPA and high dry energy mix

CHL has entered into a long term PPA of 30 years from commercial operation date (COD) or till

¹ Government of Nepal

validity of Generation License, whichever is earlier, for sale of power to be generated from the 7.832 MW project. The tariff for wet/ dry season (6-6 months) is NPR 4.80/ 8.40 per kWh with 3% escalation on base tariff for 8 times in every year after completion of 12 months from COD. Additionally, the project is supported by high dry energy mix of ~30% with an average Plant Load Factor (PLF) of 64.81%. Power generated from the project is proposed to be transmitted to NEA²'s under construction 220kV Dharapani substation through ~3 km 33 kV transmission line.

Favorable government policies towards the power sector

According to NEA's Annual Report, the annual system peak demand increased significantly in FY 2024/25 compared to FY 2023/24. Total exports to India soared to 2,380 GWh in FY 2024/25, compared to 1,946 GWh in the previous year, enabling NEA to become a net electricity exporter for the first time. The GoN has prioritized the hydropower sector to ensure energy security, reduce dependency on fossil fuels, and position the nation as a clean energy leader in South Asia. Favorable fiscal policies remain in place, including income tax holidays (typically a full 10-year holiday followed by a 50% concession for the next five years) and reduced duties on essential equipment. Furthermore, the Nepal Rastra Bank (NRB) continues to designate hydropower as a priority sector for lending, mandating banks to allocate a minimum share of advances to energy projects. These initiatives, coupled with expanding cross-border transmission infrastructure make the demand outlook for the Nepalese hydropower sector highly promising.

Key Rating Weaknesses

Project implementation risk

The company is constructing 7.832 MW hydropower project, which is in initial stages of construction, achieving ~30% physical progress (till mid-May 2026) and ~25% financial progress (till April 29, 2026). The total estimated cost of the project is NPR 1,804 Mn (~NPR 230 Mn per MW including estimated interest during construction), proposed to be financed in the debt: equity mix of 75:25. The promoters have infused ~80% of total equity component required for the project and the debt component for the project has been fully tied up, which significantly mitigates the funding risks, albeit funding risks related to equity portion persists. The company has awarded contractual agreements for the project construction which moderates the risks associated with project implementation to an extent, nevertheless, the project is exposed to implementation risks pertaining to project construction within the envisaged time and cost. The Required Commercial Operation date (RCOD) of the project is April 26, 2027.

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

ROR projects are sensitive to seasonal variations in river flows, producing more electricity during the wet season and less during the dry season as these projects have little or no capacity for water storage and rely on the flow of river water for power generation. CKHP is proposed to utilize discharge from Chino Khola having catchment area of 20 km² based on snow-fed perennial river with design discharge of 1.07m³/s at PoE of 40%. Prolonged low water levels resulting from droughts or irregular rainfall can lead to operational strain and thus revenue loss. This exposes the project to risks associated with variations in water discharge from these rivers.

Risk of Natural Calamities

Nepal lies in a seismically active region along the Himalayan belt, making the country vulnerable to earthquakes, landslides, and floods, all of which pose significant threats to hydropower infrastructure. In addition, the country's rugged topography and monsoon rains make it prone to landslides and floods, which can cause structural damage and disrupt project construction and operations. These disasters not only result in costly repairs and prolonged downtime but also affect the financial viability of hydropower projects like CKHP by reducing power generation, thereby impacting their financial performance.

² Nepal Electricity Authority

Analytical Approach: Standalone

Applicable Criteria:

[Private Power Producers Rating Methodology](#)

About the Company:

Chino Hydropower Limited (CHL) was incorporated on June 09, 2023 to build, own and operate “7.832 MW Chino Khola Hydropower Project (CKHP)” in Manang district of Nepal, with the entire power generated intended for sale. The project has total catchment area of 20 km² catchment area, a design discharge of 1.07 m³/s at 40% PoE and a gross head of 902m. M/s Butwal Power Company Limited held ~65% of the equity share capital as of mid-May 2026.

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	1,352.80	IRN BB-
Fund Based Bank Facilities- Bridge Gap Loan	Short Term	(250.00)	IRN A4
Non-Fund Based Bank Facilities- LC ³	Short Term	(750.00)	IRN A4
Non-Fund Based Bank Facilities- BG ⁴	Short Term	5.00	IRN A4
Total Facilities		1,357.80	

*Bridge Gap Loan of NPR 250.00 Mn & Letter of Credit of NPR 750.00 Mn are within Term Loan Limit

³Letter of Credit

⁴Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:

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