PRESS RELEASE

MODI ENERGY LIMITED

June 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN B+ (Is)	Reaffirmed
Long Term Bank Facilities	3,352.43 (Reduced from 3,584.63)	IRN B+	Reaffirmed
Short Term Bank Facilities	104.00 (Enhanced from 70.00)	IRN A4	Reaffirmed
Total	**3,456.43**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the issuer rating of IRN B+ (Is) [Single B Plus (Issuer)] and also reaffirmed bank loan rating of IRN B+ [Single B Plus] for long term bank facilities of NPR 3,352.43 and IRN A4 [A Four] for the short-term bank facilities of NPR 104.00 Mn.

Detailed Rationale

The reaffirmation of issuer rating assigned to Modi Energy Limited (MEL) and its bank facilities primarily factor in improved energy generation in FY25 (~50% of generation energy up from ~40% and ~34% in FY24 and FY23 respectively) leading to marked improvement in financial performance with Total Operating Income (TOI) surging by ~25% and EBITDA margin rising to ~87% in FY25 against ~86% in FY24. Owing to improved TOI coupled with lowered interest rates in FY25, the company recorded positive GCA of NPR ~169 Mn for first time since its commercial operations in FY22, interest coverage ratio rose above 1x (1.58x in FY25) for first time and losses substantially reduced to NPR 99 Mn from losses of ~NPR 312 Mn in FY24. The ratings also derive strength from the strong and experienced promoters & management team along with Power Purchase Agreement (PPA) covering the majority of the project's lifespan, at predetermined rates. The ratings also factor in the moderate counter party risk and favorable government policies towards power sector.

However, the ratings remain constrained due to slump in energy generation in FY26 with MEL generating ~39% of generation energy till 9MFY26 due to hydrology risk and lowered dispatch instruction from Load Dispatch Centre (LDC) during FY26 leading to ~13.46% decline in TOI in 9MFY26 over 9MFY25. The rating also factors in continuous deterioration in its reserves following sustained losses over the period and stressed liquidity position. The ratings also factor in MEL's moderate financial indicators, with DSCR remaining below 1x at 0.85x, Total Debt/GCA being very high at ~22x and capital structure being leveraged at 2.04x in FY25. Furthermore, the ratings consider the hydrology risk associated with the run-of-the-river (ROR) project and high power evacuation risk, as the project falls under the 'Projects Under Contingency Evacuation Plan' of the Nepal Electricity Authority (NEA). Going forward, MEL's ability to sustainably narrow the gap between the contracted and operational Plant Load Factor (PLF), improve its coverage indicators, demonstrate a consistent debt servicing track record, and timely secure funds through the proposed rights issue will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong and experienced promoters and management

MEL has five board members, and Mr. Pashupati Murarka, who has over 36 years of work experience and is connected to various management and director levels, serves as the board's chair. Also, MEL derives strengths from the financial flexibility of its promoter groups viz. Debenara Group, Murarka Organization, KL Dugar Group, and Shanker Group. These groups are in business for many decades which provides an additional comfort regarding market presence/market knowledge. Further with the experienced and qualified pool of top management is again expected to support the business risk profile going forward.

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, in December 2009 valid for 35 years from the license obtained date. MEL 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. MEL started its commercial operation from September 30, 2021. The tariff for the wet season (mid-April to mid-December) is NPR 4.80 per kWh and for the dry season is NPR 8.40 per kWh with 3% annual escalation on the base tariff for five times. The contracted energy for the project is 117.14 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

Modest albeit improving financial performance

The financial performance, though improved in FY25 has again fallen back in FY26. The PLF improved to ~50% of generation energy in FY25 up from ~40% and ~34% in FY24 and FY23 respectively. However, PLF fell back at ~39% of generation energy for 9MFY26 (9MFY25: ~49%). The company continues to report net losses. In FY25, the revenue of company rose by ~25% reaching NPR 527 Mn. However, owing to low hydrology in first quarter of FY26 coupled with low dispatch instruction by NEA, the energy generation fell short and the revenue fell back by ~16% (annualized) in FY26 with MEL recording revenue of NPR 221 Mn in H1FY26. The revenue reached NPR 347 Mn till third quarter of FY26. EBITDA margin have slightly improved in FY25 reaching ~87% from ~86% in FY24 however has receded back in H1FY26 at ~85%. The tariff escalation rising the EBITDA margin whilst inflationary pressure dragging it back creating volatility. The company's PAT though improved is still in negative with losses reaching NPR 99 Mn in FY25, a sharp improvement from losses of NPR 312 Mn in FY24. However, the losses have once again surged in H1FY26 with loss of NPR 62 Mn recorded. GCA has turned positive for first time since COD with positive GCA of NPR 169 Mn being recorded in FY25 and NPR 72 Mn being recorded in H1FY26. Similarly, due to consecutive losses, net worth has decreased to NPR 1,768 Mn in FY25 from NPR 1,867 Mn in FY24 and NPR 2,179 Mn in FY23. The overall gearing ratio stands at 2.04x in FY25 vis-à-vis 2.02x in FY24 and 1.72x in FY23. Similarly, with continued net losses, DSCR remains below 1x in FY25 (0.85x in FY25 vis-à-vis 0.78x in FY24) and liquidity remains stressed. However, the financial leverage profile of MEL is expected to improve following the proposed right share issuance of NPR 2,611 Mn (assuming full subscription) and if the company utilizes a significant portion of the proceeds to prepay existing debt. The company's ability to timely secure funds through the rights issue and reduce debt levels remains a key monitorable.

Hydrology risk associated with run-of-the-river power generation
ROR projects are directly exposed to risk associated with variation in discharge of water from the river. MEL is utilizing discharge from tailrace of Modi Khola located at Parbat District, having catchment area of 552 sq kms. 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.

High Power Evacuation Risk
The power generated from the project is transmitted via a 132-kV transmission line using a loop-in-loop-out method to a tower owned by the privately operated United Modi Hydropower Project, with which MEL has a perpetual contract. This tower is further connected to the NEA's Modi Power Station. However, since MEL is listed under NEA's 'Projects Under Contingency Evacuation Plan,' the Load Dispatch Centre (LDC) of NEA has been instructing MEL to operate at reduced capacity without compensation, making the evacuation risk significantly high.

Analytical Approach: Standalone

Applicable Criteria:
Bank Loan Rating Methodology
Issuer Rating Methodology

Past Rating Rationale:
Modi Energy Limited: Issuer Rating and Bank Facilities Rating Reaffirmed

About the Company:
Incorporated in November 1996, as Manang Trade Link Private Limited was later converted to Modi Energy Private Limited (MEL) on May 28, 2017, which again converted to Modi Energy Limited (MEL) in June 21, 2018. The company has been set up to build, own and operate 20 MW run-of-river, Lower Modi Khola Hydropower Project (LMKHP) in Parbat district of Nepal, for sale of entire power. The project has 552 Km^2 catchment area and 26.52 m^3/s design discharge at 40% exceedance flow. M/s Modi Investment Pvt. Ltd is a single institutional promoter whereas Mr. Pashupati Muraraka and Mr. Shrish Kumar Murarka are the major individual shareholders.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	H1FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	362	421	527	221
EBITDA Margin (%)	79.47	86.07	87.08	85.42
Interest Coverage Ratio (x)	0.59	0.88	1.58	1.62
Current Ratio (x)	1.01	0.95	0.95	0.61
DSCR (x)	0.46	0.79	0.85	NA
Overall Gearing Ratio (x)	1.72	2.02	2.04	2.08

**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	3,352.43	IRN B+
Fund Based Bank Facilities- Short Term Loan	Short Term	104.00	IRN A4
Total Facilities		**3,456.43**	

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About Infomerics Credit Rating Nepal Limited:

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