

PRESS RELEASE

SHAILESHWORI POWER NEPAL LIMITED

June 2026

Rating

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB-(Is)	Reaffirmed

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

Detailed Rationale

The reaffirmation of the issuer rating assigned to Shaileshwori Power Nepal Limited (SPNL) continues to factor in the experienced promoters and management team with experience in the hydropower and infrastructure sectors, the long-term Power Purchase Agreement (PPA) with Nepal Electricity Authority (NEA) providing revenue visibility through predetermined tariffs, and the supportive government policies for the hydropower sector. The rating also derives comfort from the sector's strategic importance and the favorable long-term demand outlook for electricity in Nepal.

Nonetheless, the rating is constrained by the project's cost overrun of ~17.6% and delay of over 18 months in achieving commercial operation, which resulted in the loss of tariff escalations and reduced the effective project life. The rating is further determined by the project's limited operational track record and stabilization risks, exposure to hydrological risks inherent in run-of-the-river projects, and vulnerability to natural calamities, which could affect generation performance and financial metrics. Going forward, the company's ability to stabilize plant operations and achieve the projected generation levels will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Board of Directors in hydropower sector

The company is chaired by Mr. Lal Bahadur Bam, who has experience in the construction of roads, bridges, buildings, drinking water systems, irrigation projects, and 33KV and 11KV transmission lines and substations. Additionally, the board includes Mr. Jagadish Bahadur Pal as Managing Director, who has over 25 years of experience. He is the former chairperson of Api Power Company Limited and the current chairperson of Trikal Power Company Private Limited. The promoters are supported by a team of technically qualified and experienced professionals across various functions.

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

SPNL had entered into a long term PPA with NEA as on July 2018 for sale of 1.55 MW power contracted energy generated from the project. The period of the PPA is 30 years from the commercial operation date (COD) or till validity of Generation License (obtained on March 2018), whichever is earlier. PPA period may be extended with mutual consensus during the last six months 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 8 times in every year after completion of 12 months from COD.

Favorable government policies towards the 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

Cost and time overrun in project construction

While the project has commenced its operations, the final verification report is pending with management estimating the total expenses and advances of NPR 458.63 (~NPR 295.89 Mn per MW) Mn against the earlier estimate of NPR 390.00 Mn (~NPR 251.61 Mn per MW), indicating a cost overrun of ~17.6%. The increase is mainly driven by higher spending on civil construction, project management and supervision, and interest during construction. Also, the project achieved commercial operations in October 26, 2025; more than 18 months delayed from the Required Commercial Operation Date (RCOD) of March 29, 2024. The delay in project commissioning not only shortened economic life of the project but also incur loss of tariff escalations, thereby limiting the revenue scope of the company over the long-run.

Project stabilization risk

The project commenced commercial operations on October 26, 2025, and is currently in its initial phase of operations. During the first six months, it generated ~2.20 Mn kWh of electricity, achieving an average PLF of ~33% of generation energy and ~74% of contract energy. As the project is still in the early stage of operations, it remains exposed to operational stabilization risks. Going forward, the ability to stabilize the operations and improve the generation performance in the coming years will remain a key rating monitorable.

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

ROR projects face direct exposure to the risks linked to fluctuations in water discharge from rivers, given that they lack the capacity for water storage. MGGH utilizes discharge from Gaddi Gad river having catchment area of 50.44 sq km with design discharge of 2.02m³/s at exceedance flow of 40%. Insufficient water flow may lead to reduced energy output, affecting project performance and financial viability. Therefore, the project is exposed to risks linked with fluctuations in river water discharge. Furthermore, the lack of a deemed generation clause in the PPA leaves the project vulnerable to revenue losses during adverse conditions without compensation, which may have an impact on company's financial health.

Risk of Natural Calamities

Hydropower projects are prone to risk from natural disasters, such as floods, landslides and earthquakes, as the projects are generally located in challenging terrains with uncertain geology. These occurrences can significantly disrupt infrastructure, leading to construction delays and inflated costs. Moreover, they may disrupt power generation and evacuation, consequently affecting the financial performance of the projects. Hydropower projects like MGGH are inherently exposed to risk of these natural calamities, which may affect the project's execution, functioning and financial performance.

Analytical Approach: Standalone

Applicable Criteria:

[Power Projects Rating Methodology](#)

[Issuer Rating Methodology](#)

Past Rating Rationale

[Shaileshwori Power Nepal Limited: Issuer Rating Assigned](#)

About the Company:

Shaileshwori Power Nepal Limited (SPNL), established in June 2011, was converted into a public limited company in July 2023. The company is currently developing the 1.55 MW Mathillo Gaddi Gad Hydroelectric Project (MGGH), located in Purbichauki Rural Municipality, Doti District, Sudurpaschim Province. SPNL is majorly promoted by Mr. Lal Bahadur Bam with ~9% shareholding as of mid-April 2026.

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About Infomerics Credit Rating Nepal Limited:

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