

## PRESS RELEASE

### **SOLU HYDROPOWER LIMITED**

June 2026

#### Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BBB- (Is)	Upgraded from IRN BB+ (Is)
Long Term Bank Facilities	2,210.30 (reduced from 3,610.35)	IRN BBB-	Upgraded from IRN BB+
<b>Total</b>	<b>2,210.30</b>		

Details of facilities are in Annexure-1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the issuer rating to IRN BBB- (Is) [Triple B Minus (Issuer)] from IRN BB+ (Is) [Double B Plus (Issuer)]. Issuers with such rating are considered to have the moderate risk of default regarding timely servicing of financial obligations. Also, Infomerics Nepal has upgraded the rating assigned to long term bank facilities of NPR 2,210.30 Mn to IRN BBB- [Triple B Minus] from IRN BB+ [Double B Plus].

#### Detailed Rationale

The upgradation of ratings assigned to Solu Hydropower Limited (SHL) and its bank facilities factor in successful commissioning of the project as on 9<sup>th</sup> August 2025 as well as exceptional operational performance of the project since commercial operation date (COD) with project generating electricity at Plant Load Factor (PLF) of ~103% of the contracted capacity from COD till Mid-May 2026, enabling SHL to generate significant revenue of ~NPR 2,112 Mn till Mid-April 2026. The ratings also draw strength from the favorable concessions extended by the foreign lender, including a waiver of interest on the foreign debt component and a partial loan forgiveness of 40%, which may increase up to 59.75% under certain conditions. The regulatory body (NRB<sup>1</sup>) has validated such waiver off during April 2026 significantly reducing the cost of the project by ~NPR 8.5 Bn with chances of further waiver off amounting to ~NPR 2.2 Bn possible contingent on meeting certain conditions by FY38, possibly reducing the cost further. The rating also derives strength from successful issuance of IPO worth NPR 2,000 Mn by SHL bolstering its capital structure as evident by healthy gearing ratio of 1.43x as of Q3FY26. Given that the waived debt had not been derecognized as of Q3FY26 pending regulatory approval then, leverage metrics are expected to improve materially going forward now the approval has been received. Further, the company reported strong financial performance during its first year of operations, supported by a large revenue base and significantly lower interest costs, resulting in a GCA of ~NPR 1,365 Mn and PAT of ~NPR 858 Mn, with margins exceeding 40%. The reduced debt servicing burden and robust cash accruals have translated into a strong interest coverage ratio of around 10x as of Q3FY26. The ratings additionally benefit from the company's revenue profile, with 55% of revenues denominated in USD at a fixed exchange rate of NPR 98.68/USD for the initial 10 years, providing a natural hedge against foreign currency debt obligations and boosting its top line figure. The ratings continue to derive strength from the robust and experienced group of promoters & a proficient management team, low tariff and offtake risk with the presence of a long-term Power Purchase Agreement (PPA) alongside low evacuation risk. Additionally, the ratings also factor in the moderate counter party risk, improving electricity demand, tie up of project cost and GoN<sup>2</sup> support for the power sector.

However, the rating continues to be mainly constrained by the stabilization risk associated with SHL's 82 MW hydropower project given it is in operation for just 10 months. The ratings are also constrained by significant delays in originally envisaged timelines due to realignment of penstock pipes resulting

<sup>1</sup> Nepal Rastra Bank

<sup>2</sup> Government of Nepal

in tariff escalation losses and reduction of project life further and ultimately adversely impact the initially estimated financial benefits from the project. Also, the project is exposed to the hydrology risk connected with run-of-river (ROR) power generation arrangement and vulnerability to natural calamities.

Going forward, the company's ability to maintain its operational performance on a sustained basis, address certain tax, regulatory and contingent matters, and fulfill the stipulated conditions required to secure the additional 19.75% foreign debt concession will remain key rating sensitivities.

## Detailed Description of Key Rating Drivers

### Key Rating Strengths

#### Healthy financial profile backed by strong energy generation

The project achieved commercial operation on 9<sup>th</sup> August 2025 and has demonstrated strong operational performance, achieving a PLF of around 103% of contracted capacity from commissioning through mid-May 2026. Supported by robust generation levels, SHL reported electricity sales revenue of ~NPR 2,122 Mn up to mid-April 2026, with 55% denominated in USD (SHL generated ~USD 9.93 Mn till Mid-May 2026) further bolstering revenue profile. The complete waiver of interest on the foreign debt component under the restructuring agreement, coupled with limited interest obligations on domestic borrowings undertaken for cost escalation, has significantly reduced financing costs and enhanced profitability. Consequently, SHL reported a PAT of ~NPR 858 Mn, translating into a healthy margin of around 41%, while generating strong gross cash accruals (GCA) of ~NPR 1,352 Mn, which is a rating positive. SHL also maintains a healthy capital structure and debt protection metrics, supported by successful IPO proceeds, strong profitability, and robust cash accrual generation. The overall gearing stood at a comfortable 1.43x as of Q3FY26; however, leverage is expected to improve further upon derecognition of the waived debt following regulatory approval. The interest coverage ratio remained strong at 10.08x, aided by the foreign debt interest waiver and high operating margins.

#### Strong and experienced promoters/group and management team

SHL is governed by a five-member board of directors chaired by Mr. Subhash Chandra Sanghai, with 45 years of business experience, including a significant portion of his career focused on the tea industry. Mr. Vishal Agrawal, Director, brings over 23 years of experience and holds directorship positions in various companies. Similarly, Mr. Vijay Singh Baidya, Director, have more than 35 years of experience in trading and industry. Mr. Trilokachand Agrawal and Mr. Aaditya Sanghai, directors, bring in decades of experience and holds directorship of various financial institutions. Furthermore, SHL derives strengths from the financial flexibility of its promoter groups namely Triveni Group, Vishal Group, Goyal Group, Rathi Group, Baidya Group, and Jain Group. These groups have been operational across various sectors for decades, instilling confidence in their market presence and knowledge. Moreover, the board is aptly supported by experienced and well diverse management team.

#### Low offtake and evacuation risk with presence of a long-term PPA including predetermined tariffs

SHL had entered into a long term PPA of 30 years from commercial operation date (COD) or till validity of Generation License, whichever is earlier, for sale of power to be generated from the 82 MW project. Furthermore, the tariff for wet/ dry season (8-4 months) is NPR 4.80/ 8.40 per kWh with 3% escalation on base tariff for 5 times in every year after completion of 12 months from COD. Additionally, the project has a moderate PLF of ~63%. Furthermore, the company successfully established a PPA agreement with NEA in USD, which accounts for 55% of the total bill amount, and this arrangement extends for ten years from the COD. The USD rate is fixed at NPR 98.68 per USD assisting SHL in receiving required foreign exchange for repayment of loans. Regarding evacuation, the power expected to be generated by the project will be evacuated through 4.123km long 132kV

transmission line to NEA's operational Lamane substation, thereby removing the evacuation bottleneck from NEA's end.

## **Receipt of approval of concession**

The project encountered significant financial losses due to an unstable penstock caused by unfavorable geological conditions. This necessitated a complete redesign of the penstock, resulting in considerable cost and time overruns. However, strategic measures and contract execution led to written off of 40% of the total USD denominated Debt. Moreover, 19.75% of the total USD Debt will be written off at the end of the loan term, considering potential adjustments to the Required Commercial Operation Date (RCOD), PPA penalties, and generation license term. Furthermore, the project benefited from the waiver of Interest During Construction (IDC) for both senior and subordinated loans, due from January 2020 till COD. Finally, the project was made at cost of ~NPR 28,263.46 Mn of which NPR 10,000 Mn is equity and remaining is debt. Of debt portion, NPR 8,503 Mn has been waived off following approval from NRB on April 2026 reducing the net project cost to NPR 19,759.59 Mn, equivalent to ~NPR 240.97 Mn/MW. Further waiver off relating to 19.75% of debt equivalent to NPR 2,171 Mn can be received in FY38, contingent on fulfilling conditions which will reduce the net project cost to ~NPR 17,589 Mn equivalent to ~NPR 214.50 Mn/MW.

## **Key Rating Weaknesses**

### **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. LSHEP is intended to utilize discharge from Solu river having catchment area of 411 sq. with design discharge of the project is 19.85m<sup>3</sup>/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 LSHEP 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](#) and [Issuer Rating Methodology](#)

### **Link to past rating rationale:**

[Solu Hydropower Limited: Issuer Rating and Bank Facilities Rating Revised](#)

### **About the Company:**

Incorporated on June 09, 2010, as a Private Limited, the company was subsequently converted into Solu Hydropower Limited (SHL) on July 13, 2022. Initially, Essel Infraprojects Ltd, India held the majority stake, which was later transferred to individual Nepalese Shareholders. Currently, the company is promoted by stakeholders belonging to Triveni Group, Vishal Group, Goyal Group, Rathi

Group, Baidya Group, and Jain Group. The 82 MW LSHEP is located in the Solukhumbu district of Nepal and have catchment area of 411Km<sup>2</sup>, with a design discharge of 19.85m<sup>3</sup>/s at 40% PoE and a gross head of 493m. As of mid-April 2026, the major shareholders include Mr. Govind Lal Sanghai (6.53%), Mr. Nitesh Agrawal (5.68%) and Mr. Aditya Sanghai (3.94%).

## Financial Indicators (Standalone)

For the year ended* As on	9MFY26
	Unaudited
Total Operating Income (NPR Mn)	2,112
EBITDA Margin (%)	71.60
Operational PLF (%)	102.63
Interest Coverage Ratio (x)	10.08
Overall Gearing Ratio (x)	1.43

Earnings before Interest Tax Depreciation Amortization (EBITDA)

\*Classification as per Infomerics Nepal standards

## Annexure 1: Detail of facilities

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	2,210.30	IRN BBB-
<b>Total Facilities</b>		<b>2,210.30</b>	

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