

PRESS RELEASE

VISION LUMBINI URJA COMPANY LIMITED

June 2026

Rating

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

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

Detailed Rationale

The reaffirmation of the issuer rating assigned to Vision Lumbini Urja Company Limited (VLUCL) factors in the moderate operational performance of VLUCL's 25 MW Seti Nadi Hydroelectric Project (SNHEP) since its commercial operations on November 11, 2024, albeit affected by floods. The rating also derives strength from presence of strong institutional promoters with experienced Board of Directors and management. The rating also takes a note of power purchase agreement (PPA) based on take or pay modality with Nepal Electricity Authority (NEA) covering the majority of the project's lifespan, at predetermined rates with escalation clause; thereby lowering the tariff risk and offtake risk. The rating also factors in moderate counterparty risk and favorable government policies towards the power sector.

These rating strengths are constrained by the project stabilization risks as the plant recently encountered significant monsoon-season setbacks, including a shutdown from June 10 to August 09, 2025, and an additional 15-day closure in late August 2025 due to expansion joint leakages. Owing to elevated operational and finance costs alongside a moderate revenue base, the company reported net losses during the period of operations till mid-April 2026. Additionally, the rating remains constrained by hydrology risks associated with run-of-river (ROR) power generation, though the snow-fed nature of the Seti Nadi provides some dry-season stability. Also, the rating remains constrained by the dry energy short supply penalty clause in PPA. Going forward, the ability of the company to ensure its operational efficiency on sustained basis and achieve improved financial performance will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Board of Directors and Management with support from strong institutional promoters

VLUCL is majorly promoted by institutional promoters with the largest shareholder being Hydro Electricity Investment & Development Company Limited (HIDCL) holding ~10% of the company's equity share capital as of mid-April 2026. HIDCL is a specialized development financial institution incorporated to mobilize funds to cater to the needs of investments in hydroelectricity generation, transmission, and distribution projects in Nepal. The company has an experienced Board of Directors now chaired by Mr. Sudip Singh Adhikari, having experience in different sectors including hydropower. Managing Director, Mr. Jagat Bahadur Pokharel also possess significant experience across various sectors including hydropower. The Board is adequately supported by an experienced management team. Also, the presence of one of the representatives of HIDCL in VLUCL's board remains a positive.

Low tariff and offtake risks with presence of a long-term PPA

On November 22, 2018, VLUCL entered a long term PPA with NEA of 30 years from Commercial Operation Date (COD) or till validity of Generation License, whichever is earlier, for the sale of power generated from the project. The net contracted plant load factor (PLF) of 67.62% with relatively higher dry energy mix of 31.43% (considering 6 months dry and 6 months' wet season) provides an additional comfort in terms of better revenue profile, given higher tariff rates in dry season. Tariff rate as per PPA for 25 MW is NPR 4.80 per kWh for wet season (June to November) and NPR 8.40 per kWh for dry season (December to May) with 3% annual escalation on base tariff for eight times after completion of twelve months from COD.

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

Project stabilization risk

The project has been in operation since November 11, 2024. The project was constructed at a cost of NPR 6,288 Mn (management estimation) up from initial estimated cost of NPR 5,000 Mn. The costs have been funded in the debt equity ratio of ~69:31. Since its operation, the project has generated around ~80% of contracted energy in FY25 and ~68% during the first seven months of FY26. However, the plant remained non-operational for 75 days (June 10 to August 09, 2025, and an additional 15-day closure in late August 2025) owing to technical issues triggered by floods. The company's ability to sustain operational efficiency and achieve stable energy generation levels remains critical to its financial profile and remains key monitorable from a credit perspective.

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. Prolonged low water levels resulting from droughts or irregular rainfall can lead to operational strain and thus revenue loss. The project has a design discharge of 18.00 m³/s at 44.5% exceedance flow. Furthermore, lack of a deemed generation clause in the PPA exposes the project to hydrology risks in case of adverse river flow scenarios, without receiving any compensation for such losses. However, the river "Seti Nadi" that the project is based on is a snow fed river, which reduces the concern to some extent. Additionally, developers now have to meet 30% of the total energy production during the dry season along with the extension of dry season period from four to six months. If the energy supplied during the dry season is found to be less than 30%, the annual energy supplied above the estimated 30% will be adjusted as a compensation in the monthly bill payment. This exposes the projects to risks associated with variations in water discharge from these rivers. Furthermore, the company was liable to pay a short supply penalty of NPR 29.41 Mn during FY25.

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 SNHEP 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:

[Issuer Rating Methodology](#) & [Power Projects Rating Methodology](#)

Past Rating Rationale:

[Vision Lumbini Urja Company Limited: Issuer Rating Revised](#)

About the Company:

Vision Lumbini Urja Company Limited (VLUCL) is a public limited company incorporated in October 2018. The company is operating Seti Nadi Hydroelectric Project (SNHEP) of 25 MW in Kaski district of Nepal. The project has 254 km² catchment area and 18 m³/s design discharge at 44.5% exceedance flow. HIDCL is the major institutional promoter with a stake of ~10% as of mid-January 2025.

Financial Indicators (Standalone)

For the year ended* As on	FY25	H1FY26
	Audited	Unaudited
Total Operating Income (NPR Mn)	379	254
EBITDA Margin (%)	82.55	78.07
Interest Coverage Ratio (x)	1.40	1.17
Overall Gearing Ratio (x)	1.55	1.63
DSCR (x)	1.47	0.85

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Debt Service Coverage Ratio (DSCR)

**Classification as per Infomerics Nepal standards*

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About Infomerics Credit Rating Nepal Limited:

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