

PRESS RELEASE

AAYU MALUN HYDROPOWER LIMITED

June 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	2,570.00 (Reduced from 2,572.50)	IRN B+	Upgraded from IRN B
Short Term Bank Facilities	120.30	IRN A4	Assigned
Total	2,690.30		

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 2,570.00 Mn to IRN B+ (Single B Plus) from IRN B (Single B) and assigned the rating of IRN A4 (A Four) to the short-term bank facilities of NPR 120.30 Mn.

Detailed Rationale

The upgradation of ratings assigned to the bank facilities of Aayu Malun Hydropower Limited (AMHL) factors in project securing funding with debt amounting to ~NPR 2,570 Mn being tied up and transfer of Power Purchase Agreement (PPA) from its parent company to AMHL providing secure and certain revenue stream for long period of time. The ratings also derive strength from the backing of a strong experienced promoter group, notably including an institutional promoter Puwa Khola-One Hydropower Limited. The project benefits from a long-term PPA, which substantially mitigates tariff and offtake risks, moderate counterparty and power evacuation risks, growing electricity demand, and the continued policy and regulatory support extended by the Government of Nepal (GoN) to the hydropower sector.

However, the ratings remain constrained by the execution risk associated with AMHL's under-construction 21 MW run-of-river hydropower project, which is currently in its early stages of development. The project remains exposed to inherent hydrological risks typical of run-of-river schemes, as well as susceptibility to natural disasters. Going forward, the ability of the company to timely achieve completion of the project without any time or cost overrun will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong and experienced promoters and management

The major promoter of the company, Puwa Khola-One Hydropower Limited is an institutional promoter operating 4MW Puwa Khola-One Hydropower project. The chairman Mr. Kiran Malla has Masters in Hydropower Development and has more than 35 years of experience in the hydropower sector. Mr. Malla is also the chairman of High Himalaya Hydro Construction Pvt Ltd, 23MW Union Mewa Hydropower The board of directors are well supported by experienced and diverse management team.

Power Purchase Agreement at predetermined tariffs covering majority of project's lifespan

Puwa Khola-One Hydropower Company, parent company of AMHL had entered into a long-term PPA with NEA in June 2023 for the sale of 21 MW of power to be generated from the project. The period of the PPA is 30 years from the date of commercial operation date (COD) or till the validity of the Generation License (obtained on November 30, 2022), whichever is earlier. The PPA has been transferred by its parent to AMHL during FY25 bolstering its revenue outlook in respect of magnitude and certainty and remains a rating positive. The tariff for the wet season (May to December) is NPR

4.80 per kWh and for the dry season (January to April) is NPR 8.40 per kWh with a 3% escalation on the base tariff 8 times every year after completion of 12 months from COD date. The contracted energy for AMHL is 112.59 million units (MU) at a PLF of 61.20%. The Extended Required Commercial Operation date (RCOD) of the project is 16th December, 2026. The ability of management to secure extension of its RCOD remains key rating monitorable.

Low power evacuation risk

The power to be generated by the project is to be evacuated through the NEA's Tingla substation, which is already operational, thereby removing the evacuation bottleneck from NEA's side. Further, for the power evacuation, the project has to develop 20km long 132kV transmission line from its powerhouse to NEA's Tingla substation. Timely availability of fund will remain essential for the timely completion of the evacuation structure on the company's side.

Improving market demand with Government support for 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

Project implementation risk and Funding Risk

The total estimated cost of the project for 21 MW is NPR 3,675 Mn to be funded in debt: equity ratio of 70:30. Financial closure for the project has been achieved as on July 11, 2025. The project is currently in its early stages, with it achieving financial progress of 16.81%, primarily on preparatory activities such as pre-operating expenses, land acquisition, construction of army camp and infrastructure development with all the expenses borne out of equity share capital till date. Major construction contracts for civil and hydromechanical works are yet to be finalized due to delay in construction of army camp leading to subsequent delays in deployment of army personnel to carry out explosive works. As of May 22, 2026, AMHL had paid up capital of NPR 1,138.84 Mn i.e. ~57% of the total equity has been infused as on May 22, 2026. The ability of company to complete the project in a timely manner without significant cost and time overrun remains key rating monitorable

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

Run-of-the-river power is considered an unsteady source of power, as a run-of-the-river project has little or no capacity for water storage and therefore is dependent on the flow of river water for power generation. It, thus, generates much more power during summer season when seasonal river flows are high (May to December) and less during the winter season (January to April). AMHP is proposed to utilize discharge from Malun river having catchment area of 94.87 sq kms based on Perennial River with design discharge of the project is 4.52 m³/s at exceedance flow of 40%. Hence, the project is exposed to risk associated with variation in discharge of water from the aforesaid river/khola. Furthermore, 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.

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 AMHP 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](#)

Link to past rating rationale:

[Aayu Malun Hydropower Private Limited: Bank Facilities Rating Reaffirmed](#)

About the Company:

Incorporated as a private limited company on March 2017, Aayu Malun Hydropower Private Limited (AMHL) is constructing 21 MW Aayu Malun Hydroelectric Project (AMHP) in Okhaldhunga District, Nepal for sale of 21 MW contracted energy and has been converted into public limited company on July 16 2025. AMHP is intended to utilize discharge from Malun river having catchment area of 94.87 sq. km with design discharge of the project 4.52m³/s at exceedance flow of 40%. AMHL is majorly promoted by Puwa Khola-One Hydropower Limited holding 43.90% as on May 22, 2026.

Annexure 1: Detail of Facilities

Instrument/Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities- Term Loan	Long-Term	2,570.00	IRN B+
Fund Based Bank Facilities- Cash Credit	Short-Term	120.00	IRN A4
Non-Fund Based Bank Facilities- Bank Guarantee	Short-Term	0.30	IRN A4
Total		2,690.30	

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About Infomerics Credit Rating Nepal Limited:

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