**PRESS RELEASE**

**SALASUNGI POWER PRIVATE LIMITED**

**July 2026**

**Rating**

| Instruments/ Facilities | Amount (NPR Mn) | Rating | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 9,094.51<br>(reduced from 9,533.00) | IRN BB+ | Upgraded from IRN BB |
| **Total** | **9,094.51** | | |

*Details of Facilities are in Annexure 1 below*

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating to IRN BB+ (Double B Plus) from IRN BB (Double B) assigned to the long-term bank facilities of NPR 9,094.51 Mn.

**Detailed Rationale**

The upgradation of ratings assigned to the bank facilities of Salasungi Power Private Limited (SPPL) factors in successful commissioning of SPPL's 78 MW Sanjen Khola Hydroelectric Project (SKHP) on February 11, 2025 within the extended Required Commercial Operation Date of February 11, 2025 and moderate operational performance during FY25 and 9MFY26, despite SPPL's 78 MW Sanjen Khola Hydroelectric Project (SKHP) being forced to run at lower capacity due to NEA[1] placing the project under contingency owing to transmission constraints at offtake stations. The rating also factors in recent successful completion of Markhichowk-Bharatpur transmission line, which is expected to significantly alleviate power evacuation risk and removal of SPPL from contingency plan allowing SKHP to operate at higher capacity, thereby supporting higher revenue and improved cash flow generation. The rating also factors in moderate financial performance including adequate coverage indicators during 9MFY26. Likewise, the rating continues to derive strength from its robust and experienced management team with strong institutional promoters, Power Purchase Agreement (PPA) covering the majority of the project's lifespan at predetermined rates, moderate counter party risk and improving market demand with Government support for the power sector.

These rating strengths, however, continue to be constrained by the leveraged capital structure as exhibited in overall gearing ratio of 2.60x as of mid-April 2026 (FY25:2.31x). The rating also remains constrained due to partial funding risk pertaining in respect of partial receipt of 4.5% secured directors loan (~70% received as of Mid-June 2026) incurred to cover the increased cost of the project- driven by depreciation of NPR against USD- the primary currency in which 80% of the expenses is denominated. The rating also remains constrained due to SKHP still being under NEA's contingency plan which has restricted SPPL to operate at higher capacity preventing SPPL from generating higher sales and returns as expected. The ratings also consider the inherent hydrology risk associated with run-of-the-river (ROR) power generation. Further, the ratings also factor in the company's exposure to foreign exchange fluctuation risk, given majority of expenses is denominated in foreign currency, risk of natural calamities and interest volatility risk.

Going forward, the company's ability to improve the operational efficiency reducing the gap between contracted plant load factor (PLF) and operational PLF on a sustained basis, secure the project's removal from NEA's contingency plan and strengthen its coverage indicators whilst improve gearing ratio will remain key rating sensitivities.

**Detailed Description of Key Rating Drivers**

**Key Rating Strengths**

[1] Nepal Electricity Authority

**Experienced management team with strong institutional promoters**

SPPL is promoted by M/s China Harbour Engineering Co. Ltd, China (CHEC). A subsidiary company of CHEC, M/s Wide Resources Ltd., China (Hong Kong), has invested in SPPL as a secured loan. CHEC has more than 90 branches (subsidiaries) and representative offices around the world with presence in over 100 countries & regions undertaking hundreds of international projects. SPPL have five members in its board, chaired by Mr. Su Yansong having long experience in hydropower sector through his association in various capacities at management levels. Mr. Bishnu Raj Adhikari, Managing Director, has more than two decades of experience in various sectors such as power, education, travel and financial services. The board is supported by other experienced team members.

**Moderate operational and financial performance**

SPPL commenced commercial operation of its 78 MW run-of-river hydropower project on February 11, 2025. The project achieved a PLF of ~58.75% of contracted capacity in five months of FY25, which moderated to ~44% during 9MFY26 as the project was placed under the Nepal Electricity Authority's (NEA) contingency arrangement due to transmission constraints at the Chilime Substation; accordingly, no short-supply penalties were imposed. The company reported a TOI of ~NPR 517 Mn in FY25, which increased to ~NPR 849 Mn in 9MFY26, supported by higher energy sales and improved tariff realization. Operating profitability remained strong, with EBITDA margins of ~86% in FY25 and ~88% in 9MFY26, while lower interest costs following debt repayments and a declining interest rate environment significantly improved profitability, resulting in a PAT of ~NPR 152 Mn in 9MFY26 against a loss of ~NPR 216 Mn in FY25. Consequently, gross cash accruals (GCA) strengthened substantially to ~NPR 552 Mn in 9MFY26 from ~NPR 6 Mn in FY25. Going forward, the completion of the transmission line and the expected removal of the project from the contingency arrangement from July 2026 onwards are expected to improve plant utilization and strengthen the company's earnings and cash flow profile.

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

As of March 15, 2016, SPPL and NEA had a long-term PPA in place for the sale of 78 MW of power that would be produced by the project. The total 78MW's contracted PLF is 62.71%. Tariff rate as per PPA for 78 MW is NPR 4.80 per kWh for wet season (Mid-April to Mid-December) and NPR 8.40 per kWh for dry season (Mid-December to Mid-April) with 3% annual escalation on base tariff for 8 times. The company achieved the commercial operation on its extended Required Commercial Operation Date (RCOD) of February 11, 2025.

**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

**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. SPPL is utilizing discharge from tailrace of Sanjen Khola located at Rasuwa District, having catchment area of 179.0 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.

**Foreign exchange fluctuation risk**

Out of the total project cost, ~80% of project cost is linked to USD for which the company is exposed to the foreign exchange fluctuation risk. Despite of being project in EPC model, project cost increased to NPR 17,287 Mn from NPR 15,387 Mn mainly due to depreciation of NPR against USD over past few years. For the same, company had not hedged any. The increased cost gap has been funded via secured loan from directors amounting to ~NPR 3,138 Mn. The directors have infused ~70% of secured loan till Mid-June 2026 creating a partial funding risk as of date.

**Risk of natural calamities**

Nepal lies in a seismically active region along the Himalayan belt, making the country vulnerable to earthquakes, landslides, and floods, all of which pose significant threats to hydropower infrastructure. In addition, the country's rugged topography and monsoon rains make it prone to landslides and floods, which can cause structural damage and disrupt project operations. These disasters not only result in costly repairs and prolonged downtime but also affect the financial viability of hydropower projects by reducing power generation, thereby impacting their financial performance.

**Applicable Criteria:**

Power Project Rating Methodology

**Past Rating Rationale:**

Salasungi Power Private Limited: Bank Facilities Rating Reaffirmed

**Analytical Approach**: Standalone

**About the Company:**

Salasungi Power Private Limited (SPPL) is a private limited company having corporate office located at Chappal Karkhana, Kathmandu. The company was earlier incorporated as a public limited company on December 11, 2009 and later converted to private limited company on January 12, 2020. The company has been set up to build, own and operate the Sanjen Khola Hydroelectric Project (SKHP), a Run-Of-River (RoR) project, with a capacity of 78 MW. The project is located in Aamachhodingmo Rural Municipality of Rasuwa District. The project achieved commercial operation from February 11, 2025. As of Mid-July 2025, the major shareholder is Wide Resources Limited, Hong Kong holding ~85% of total paid up capital.

**Financial Indicators (Standalone)**

| For the year ended* As on | FY25# | 9MFY26 |
|---|---|---|
| | Audited | Unaudited |
| Total Operating Income (NPR Mn) | 517 | 849 |
| EBITDA Margin (%) | 85.70 | 88.36 |
| Operational PLF (%) | 58.75 | 44.38 |
| Interest Coverage Ratio (x) | 1.01 | 3.79 |
| Overall Gearing Ratio (x) | 2.31 | 2.60 |

**Classification as per Infomerics Nepal standards*
*#operational for 5 months in FY25*
*Earnings before Interest Tax Depreciation Amortization (EBITDA)*

**Annexure 1: Details of Facilities:**

| Instruments/ Facilities | Types of Facilities | Amount (NPR Mn) | Rating |
|---|---|---|---|
| Long Term Bank Facilities-Term Loan | Long Term | 9,094.51 | IRN BB+ |
| **Total** | | **9,094.51** | |

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**About Infomerics Credit Rating Nepal Limited:**
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