PRESS RELEASE

SIDDHI HYDROPOWER COMPANY LIMITED

July 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB (Is)	Assigned
Long Term Bank Facilities	950.00 (reduced from 1,290.00)	IRN BB	Upgraded from IRN BB- and removed from watch with developing implications
Short Term Bank Facilities	50.00	IRN A4	Reaffirmed and removed from watch with developing implications
Total	**1,000.00**		

Details of facilities are in Annexue-1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned 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. Also, Infomerics Nepal has upgraded the rating to IRN BB [Double B] from IRN BB- [Double B Minus] assigned to the long-term bank facilities of NPR 950.00 Mn and reaffirmed the rating of IRN A4 [A Four] assigned to the short-term bank facilities of NPR 50.00 Mn. Further, the ratings have been removed from rating watch with developing implications.

Detailed Rationale

The upgrade of the ratings assigned to the Siddhi Hydropower Company Limited (SHCL) and its bank facilities primarily factors in the commissioning of 10 MW Siddhi Khola Hydropower Project (SKHPP) in May 07, 2026 along with moderate operational performance as of mid-July 2026. The company's invoice to NEA[1] amounted to ~NPR 32 Mn in FY26 through the sale of ~52% of contracted energy during the operational period. The ratings continue to derive strength from its experienced promoters, low tariff and offtake risk with the presence of a long-term Power Purchase Agreement (PPA). The ratings also factor in the moderate counter party risk, improving electricity demand and GoN[2] support for the power sector.

However, the ratings remain constrained by the project stabilization risks associated to its recently operational SKHPP. Also, the company remained exposed to hydrology risk associated with run-of-river (ROR) power generation arrangement and vulnerability to natural calamities and geological risk. Going forward, the ability of the company to ensure its operational and financial efficiency on sustained basis will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters in the related field

SHCL has six directors in its Board of Directors, chaired by Mr. Santosh Raj Nepal, having experience across financial markets along with directorship in various hydropower companies. Mr. Animesh Halwai, Managing Director, has prior management experience in financial institutions as well as other ventures. The other directors have relevant experience in different fields. Also, the company has significant stake of institutional promoters including investment companies and insurance, among

[1] Nepal Electricity Authority
[2] Government of Nepal

others, which is expected to support in the management. Furthermore, the board is supported by other experienced team members.

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

SHCL 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 10 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 8 times in every year after completion of 12 months from the COD. However, the project commissioning delayed by more than 30 months from RCOD (November 06, 2026), not only shortened the project's economic life, but also triggered the delay penalty and loss of three tariff escalations, limiting the revenue scope of the project over the licensed period. Nonetheless, the PPA significantly lowers the offtake and tariff risk associated with project's operations. The power generated from the project is being transmitted to NEA's Lasune Loop-In-Loop-Out (LILO) substation through ~12 km 33 kV transmission line.

Favorable government policies towards the power sector

According to NEA's Annual Report, the annual system peak demand increased significantly in FY 2024/25 compared to FY 2023/24. Total exports to India soared to 2,380 GWh in FY 2024/25, compared to 1,946 GWh in the previous year, enabling NEA to become a net electricity exporter for the first time. The GoN has prioritized the hydropower sector to ensure energy security, reduce dependency on fossil fuels, and position the nation as a clean energy leader in South Asia. Favourable fiscal policies remain in place, including income tax holidays (typically a full 10-year holiday followed by a 50% concession for the next five years) and reduced duties on essential equipment. Furthermore, the Nepal Rastra Bank (NRB) continues to designate hydropower as a priority sector for lending, mandating banks to allocate a minimum share of advances to energy projects. These initiatives, coupled with expanding cross-border transmission infrastructure make the demand outlook for the Nepalese hydropower sector highly promising.

Key Rating Weaknesses

Project stabilization risk

SKHPP commenced its operation from May 07, 2026. The total cost of 10 MW Siddhi Khola Hydropower Project was initially estimated at ~NPR 1,916 Mn, (~NPR 191.56 Mn per MW), to be financed in the debt-equity ratio of ~67:33. However, the project cost has escalated by ~18% to NPR 2,252 Mn (management estimation), financed in the debt-equity ratio of ~42:58. The cost overrun in the project was attributable to construction cost associated with substation set-up by the company at Lasune, along with damage sustained due to floods on October 03 and 04, 2025 as well as inflated cost of construction. The project is in its initial months of operation with moderate operational performance, generating ~40% energy against installed capacity (~52% against contracted energy), the stabilization and streamlining of the energy generation in the coming years remains to be seen. The company's ability to maintain operational efficiency on sustained basis remains key rating monitorable.

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

Run-of-the-river power (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. SKHPP is utilizing discharge from Siddhi Khola located at Suryodaya Gaunpalika and Rong Gaunpalika of Ilam District, having catchment area of 65 sq kms. 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. SKHPP's construction was impacted due to flood on October 03 and 04, 2025, sustaining major damage in its pipeline and access road, while also leading to construction delay and cost escalation. Moreover, instances of such calamities in the future may disrupt power generation and evacuation of SKHHP, which is inherently exposed to risk of these natural calamities, consequently affecting the functioning and financial performance of the project.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology
Power Projects Rating Methodology

Past Rating Rationale:
Siddhi Hydropower Company Limited: Bank Facilities Rating Reaffirmed and placed on watch with developing implications

About the Company:
Siddhi Hydropower Company Limited (SHCL) was incorporated as a private limited company on October 07, 2012 and on July 14, 2023 converted to a public limited company having corporate office located in Kathmandu, Nepal. The company has been set up to build, own and operate 10 MW run-of-river located at Suryodaya Gaunpalika and Rong Gaunpalika of Ilam District of Nepal. The power project is utilizing available head and flow from Siddhi Khola (river). The project has 63.48 km^2 catchment area and 3.81 m^3/s design discharge. As of May 21, 2026, M/s Next Holding Limited holds 15% of paid-up equity share capital.

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities-Term Loan	Long Term	950.00	IRN BB
Short Term Bank Facilities-Working Capital Loan	Short Term	50.00	IRN A4
Total Facilities		**1,000.00**	

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About Infomerics Credit Rating Nepal Limited:
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