

PRESS RELEASE

UNITED MEWA KHOLA HYDROPOWER LIMITED

July 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB (Is)	Reaffirmed
Long Term Bank Facilities	7,930.00 (Increased from 7,220.00)	IRN BB	Reaffirmed
Short Term Bank Facilities	1,350.00 (Increased from 250.00)	IRN A4	Reaffirmed
Total	9,280.00		

Details of facilities are in Annexue-1 below

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

Also, Infomerics Nepal has reaffirmed rating of IRN BB [Double B] assigned to long term bank facilities of NPR 7,930.00 Mn and IRN A4 [A Four] assigned to short term bank facilities of NPR 1,350.00 Mn.

Detailed Rationale

The reaffirmation of the ratings assigned to United Mewa Khola Hydropower Limited (UMKHL) and its bank facilities factor in the successful transition of the 50 MW Mewa Khola Hydroelectric Project (MeKHP) to commercial operations on June 11, 2026. The ratings derive strength from the presence of experienced institutional promoters, and a management team with extensive experience in the hydropower sector. Additionally, the ratings take note of the 30-year Power Purchase Agreement (PPA) with the Nepal Electricity Authority (NEA) based on a take-or-pay modality, which significantly lowers offtake and tariff risks. Favorable government policies and moderate counterparty risk associated with NEA also provide rating support.

These rating strengths are constrained by initial stabilization and operational risks common to newly operational plants. Also, the ratings take note of 11-month delay in project construction beyond the revised Required Commercial Operation Date (RCOD) of July 06, 2025. Additionally, the ratings remain constrained by hydrology risks inherent to run-of-river (ROR) generation, as the project lacks storage capacity and remains vulnerable to river flow fluctuations. Going forward, the ability of the company to achieve its contracted annual energy and 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

UMKHL is majorly promoted by institutional entities, with its largest shareholder, United Modi Hydropower Limited (UMHL) [[IRN BBB- \(Is\)](#)], holding ~37% of the company's equity share capital. UMHL currently operates the 9.9 MW Lower Modi-1 project since November 24, 2012. The company is governed by an experienced three-member Board of Directors chaired by Mr. Ashish Thapa, who brings extensive directorship experience from both the hydropower and healthcare sectors. Other directors, Mr. Sudhir Prasad Timalisina and Mr. Shyam Prasad Adhikari, also possess significant cross-sector experience, including roles in other hydroelectric ventures. The Board is aptly supported by the management team with over 10 years of experience in hydropower engineering and finance. The presence of experienced institutional backers like UMHL, Subha Investment Holding Private Limited, Suryatara Investment Private Limited and Taksar Pikuwa Khola Hydropower remains rating positive.

Low tariff and offtake risks with presence of a long-term PPA and high dry energy mix

On June 04, 2017, UMKHL entered into a long-term 30-year Power Purchase Agreement (PPA) with the Nepal Electricity Authority (NEA), valid from the Commercial Operation Date (COD) or until the expiry of the Generation License, for the sale of power from the 50 MW project. The project officially began its commercial operations from June 11, 2026. The contracted Plant Load Factor (PLF) is ~69% and the project has a significant dry energy mix of approximately 32% provide comfort regarding the revenue profile, given the higher tariffs during the dry season. The PPA tariff is established at NPR 4.80 per kWh for the wet season (June to November) and NPR 8.40 per kWh for the dry season (December to May).

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 and operational risk

The 50 MW MeKHP transitioned to commercial operations from June 11, 2026. The final project cost settled at NPR 11,000 Mn (~NPR 220 Mn per MW), financed with a ~72:28 debt-equity ratio. While promoters have fully infused their ~NPR 1,842 Mn equity portion, the remaining NPR 1,230 Mn is proposed through an IPO currently awaiting regulatory approval. The project now faces initial stabilization risks common to new plants as it streamlines production. Furthermore, the project faces penalties and a tariff escalation reduction due to an 11-month delay past its RCOD of July 06, 2025, albeit the company has applied for the extension of RCOD till COD. The ability of the company to receive RCOD extension remains crucial.

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. UMKHL utilizes discharge from Mewa Khola having catchment area of 527 sq. kms based on Perennial River with design discharge of the project is 33m³/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 UMKHL 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:

[United Mewa Khola Hydropower Limited: Issuer Rating and Bank Facilities Rating Reaffirmed](#)

About the Company:

United Mewa Khola Hydropower Limited (UMKHL), initially incorporated as a Private Limited company on June 01, 2010 and later converted into Public Limited company on July 06, 2023 to build, own and operate 50 MW run-of-river Mewa Khola Hydropower Project (MeKHP) in Meringden and Mikkwakhola Rural Municipality, Taplejung district of Nepal. The project has catchment area of 527 sq kms based on Perennial River with design discharge of the project is 33 m³/s at exceedance flow of 42%. The major shareholder of the company is United Modi Hydropower Limited, holding ~37% of shareholding of company as on December 09, 2025.

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	7,930.00	IRN BB
Fund Based Bank Facilities- Short Term Loan	Short Term	1,350.00	IRN A4
Total Facilities		9,280.00	

Analyst Contacts

Ms. Neha Tamrakar

+977-1-4583304/4585906

neha.tamrakar@infomericsnepal.com

Mr. Sujan Rimal

+977-1-4583304/4585906

sujan.rimal@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini

+977-1-4583304/4585906

rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:

Infomerics Credit Rating Nepal Ltd. is Nepal's third Credit Rating Agency licensed by the Securities Board of Nepal (SEBON) on March, 2022. Infomerics Nepal is a subsidiary of Infomerics Valuation and Rating Private Limited (Infomerics India) which is a SEBI registered and RBI accredited Credit Rating Agency licensed in 2015. Infomerics Nepal aims to provide investors with objective analysis and evaluation of credit worthiness of Banks, NBFCs, Large Corporates and Small and Medium Scale Units (SMUS) via its rating and grading services. Thus, it is playing a key role in serving the financial markets by reducing the information asymmetry among varied lenders and investors and facilitating borrowers/issuers to various fundraising opportunities/avenues. Infomerics observes and maintains ethical standards in its activities. For more information, visit <https://infomericsnepal.com/>

Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com

Disclaimer: Ratings assigned by Infomerics Nepal are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics Nepal reserves the right to change, suspend or withdraw the credit ratings at any point in time. Ratings assigned by Infomerics Nepal are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics Nepal is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.