PRESS RELEASE

BUDDHABHUMI NEPAL HYDROPOWER COMPANY LIMITED

August 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB+ (Is)	Upgraded from IRN BB (Is)
Long Term Bank Facilities	534.49 (Decreased from 1,006.30)	IRN BB+	Upgraded from IRN BB
Total	**534.49**		

Details of facilities are in Annexue-1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the issuer rating to IRN BB+ (Is) [Double B Plus (Issuer)] from 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 upgraded the rating assigned to the long-term bank facilities of NPR 534.49 Mn to IRN BB+ [Double B Plus] from IRN BB [Double B].

Detailed Rationale

The upgrade of the ratings assigned to Buddhabhumi Nepal Hydropower Company Limited (BNHC) and its bank facilities derives strength from its experienced board of directors and low tariff and offtake risks under a 30-year Power Purchase Agreement (PPA) with the Nepal Electricity Authority (NEA). The ratings take note of the operational and financial turnaround in FY26, supported by improved hydrology, the operational Plant Load Factor (PLF) reached ~92% of contracted energy, driving power sales revenue up to ~NPR 185 Mn. The ratings also factor in moderate counterparty risk, low power evacuation risk, improving national electricity demand, and supportive government policies. Furthermore, BNHC's capital structure has significantly deleveraged following the successful completion of its 1:1 right share issuance of NPR 400 Mn (which doubled paid-up capital to NPR 800 Mn) lowering the overall gearing to 0.93x in FY26.
However, the ratings remain constrained by hydrology risks inherent to run-of-river (ROR) generation and vulnerability to natural calamities, as shown by a temporary shutdown from a landslide on July 27, 2026, that severely damaged a tower of the Samundratar–Trishuli (3B Hub) 132 kV transmission line, completely halting power evacuation through both of its circuits. Going forward, the ability of BNHC to sustain its operational PLF, maintain healthy debt service indicators, and receive timely collections from NEA will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced board of directors

The promoters of the company bring diverse and significant expertise to their roles. Mr. Purna Lal Shrestha, Chairman, with over 15 years of experience in energy and development sectors has held leadership roles in many projects including ABP Energy Pvt. Ltd. and ATLAS Energy Pvt. Ltd. Mr. Pramod Khadka, Director, has also held key roles in hydropower projects and serves as a director for Barah Multipower Limited [IRN BB-; August 2026]. Also, other directors possess extensive experience in energy and development field. Furthermore, the management team is led by CEO Mr. Shekhar Kumar Subedi who brings 10 years of experience.

Low tariff and offtake risks with presence of a long-term PPA
BNHC entered a PPA with NEA on March 24, 2014, for sale of 4.993 MW power to be generated from the project and the PPA was amended November 15, 2022. The period of the PPA is 30 years from the date of commercial operation (COD) or till validity of Generation license, (obtained on April 09, 2013 for 35 years) whichever is earlier. PPA period may be extended with mutual consensus during the last six months of validity. The tariff for wet season (mid-April to mid-December) is NPR 4.8 per kWh and for dry season (mid-December to mid-April) is NPR 8.4 per kWh with 3% escalation on base tariff for 8 times in every year after completion of 12 months from COD. The contracted energy for the project is 32.12 million units (MU) (i.e., 7.44 MU for dry season and 24.68 MU for wet season), at PLF of 73.43%. Power generated by the project is evacuated through 3 km 33/132 kV to NEA's Samundratar Substation.

Improving financial and operational performance
The project achieved commercial operation on March 24, 2022, and has demonstrated a strong operational turnaround, achieving a Plant Load Factor (PLF) of ~92% of contracted energy in FY26, improving from ~75% in FY25 and ~77% in FY24. Supported by robust generation levels, BNHC reported electricity sales revenue of ~NPR 185 Mn in FY26, a significant recovery from NPR 144 Mn in FY25 and NPR 149 Mn in FY24. The successful mobilization of right share proceeds to pay down term debt has lowered the company's interest expenses thereby reducing financing costs and enhancing profitability. Consequently, BNHC reported a PAT of ~NPR 12 Mn in FY26 after net losses of NPR 16 Mn in FY24 and NPR 17 Mn in FY25, while generating gross cash accruals (GCA) of NPR 70 Mn (up from NPR 34 Mn in FY25 and NPR 12 Mn in FY24). BNHC also maintains an improved capital structure and debt protection metrics, supported by the NPR 400 Mn right share issuance and robust cash accrual generation. The overall gearing ratio improved significantly to 0.93x as of mid-July 2026, compared to 3.17x as of mid-July 2025, while the interest coverage ratio strengthened to 1.90x from 1.38x in FY25.

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

Hydrology risk associated with run-of-the-river power generation
Run-of-the-river power (ROR) 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 and less during the winter season. Lower Tadi Khola Hydropower Project (LTKHP) is utilizing discharge from Tadi Khola having catchment area of 220 sq. kms based on snow fed river with an adopted design discharge of 6.88 m^3/s at a 40-percentile flow. Hence, the project is exposed to risk associated with variation in discharge of water from the aforesaid river/ khola.

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 LTKHP are inherently exposed to risk of these natural calamities, which may affect the project's execution, functioning and financial performance. Notably, the landslide on July 27, 2026, severely damaged a tower of the Samundratar–Trishuli (3B Hub) 132 kV transmission line, resulting in a temporary shutdown from July 27, 2026, and potentially adversely affecting the project's operational performance during the initial month of FY27.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology & Power Projects Rating Methodology

Past Rating Rationale:
Buddhabhumi Nepal Hydropower Company Limited: Issuer Rating and Bank Facilities Rating Assigned

About the Company:
Buddhabhumi Nepal Hydropower Company Limited (BNHC), initially incorporated as a Private Limited company on November 16, 2007, and later converted into Public Limited company on August 16, 2017, owns and operates a 4.993 MW run-of-river Lower Tadi Khola Hydropower Project (LTKHP) in Tadi Khola, Nuwakot district of Nepal. The project has catchment area of 220 sq kms based on perennial river with an adopted design discharge of 6.88 m^3/s at a 40-percentile flow. Mr. Purna Lal Shrestha is the largest individual shareholder, holding 7.86% of the total shareholding as of Mid-July 2026.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Audited	Provisional
Total Operating Income (NPR Mn)	14	164	149	144	185
EBITDA Margin (%)	8.02	79.22	82.21	80.97	80.60
Interest Coverage Ratio (x)	NA	1.77	1.39	1.38	1.90
Overall Gearing Ratio (x)	2.61	2.71	2.89	3.17	0.93
TOL/TNW	2.93	3.04	3.19	3.35	0.97

Earnings before Interest Tax Depreciation Amortization (EBITDA)
Total Outside Liabilities to Tangible Net Worth (TOL/TNW)
**Classification as per Infomerics Nepal standards*

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	534.49	IRN BB+
Total Facilities		**534.49**	

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About Infomerics Credit Rating Nepal Limited:

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