PRESS RELEASE

GHALEMDI HYDRO LIMITED

September 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN B (Is)	Reaffirmed
Long Term Bank Facilities	658.78 (reduced from 874.86)	IRN B	Reaffirmed
Short Term Bank Facilities	30.00 (reduced from 40.00)	IRN A4	Reaffirmed
Total	**688.78**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the issuer rating of IRN B (Is) [Single B (Issuer)]. Issuers with this rating are considered to have the high risk of default regarding timely servicing of financial obligations.
Infomerics Nepal has also reaffirmed the rating of IRN B (Single B) to the long-term bank facilities of NPR 658.78 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 30.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to Ghalemdi Hydro Limited (GHL) and its bank facilities continues to derive strength from its experienced Board of Directors and management team, Power Purchase Agreement (PPA) covering majority of the project's lifespan at predetermined tariffs, favorable government policies towards the power sector, and the strategic importance of hydropower development in Nepal.
Nonetheless, the rating strengths are constrained by continued profitability pressure, with GHL reporting a net loss despite improvement in operating performance in FY26 with broadly stable EBITDA margin of ~65%. The financial risk profile remains moderate, although the overall gearing ratio improved to 0.44x in FY26 from 0.47x in FY25, supported by lower debt and improvement in tangible net worth. Furthermore, GHL faces execution and funding risks associated with the under-construction Chhujung Khola Hydropower Project (CKHP), being developed through its subsidiary, Sangrila Urja Limited (SUL), which remains at an early stage of construction and is yet to achieve financial closure for the debt component. In addition, the rating is constrained by hydrology risk associated with run-of-river (ROR) power generation, particularly during the dry season, and vulnerability to natural calamities such as floods, landslides and earthquakes. Going forward, the company's ability to sustain improvement in operating performance, move towards break-even, maintain a moderate capital structure, and ensure timely financial closure and execution of CKHP will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced board of directors and management team

GHL is overseen by an eight-member Board of Directors, led by Mr. Kishor Subedi as Chairman, who brings over a decade of experience across different industries. Mr. Narayan Babu Adhikari, Director, also has more than 10 years of experience in the manufacturing and trading sectors. The Board further includes Er. Sharad Raj Shrestha as an independent director, whose experience includes involvement in several major projects in Nepal and Japan. The company is also supported by an experienced management team with personnel having relevant expertise across key functional areas.

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

GHL had entered into a PPA with NEA as on April 13, 2012 for sale of 5 MW power to be generated from the project. The period of the PPA is 30 years from commercial operation date (COD) or till validity of Generation License (expiry date of 25MW is 2105-09-13 BS), whichever is earlier. However, PPA period may be extended with mutual consensus during the last six months of validity. GHL started its commercial operation from February 2020. Tariff rate as per PPA for wet season (Mid-April to Mid-December)/dry season (Mid-December to Mid-April) is NPR 4.8/8.4 per kWh. For these PPA rates, escalation allowed is 3% per annum on the base tariff for five times after COD. Also, the counter party payment risk pertaining to NEA is moderate as it is fully owned by Government of Nepal and has been regular in making payments to independent power producers (IPPs).

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

Continued net loss despite improved operating performance

GHL's Total Operating Income (TOI) increased by ~11% y-o-y to NPR 137 Mn in FY26 from NPR 124 Mn in FY25, supported by higher power generation with PLF improving from 49% to 53%. EBITDA increased by ~12% to NPR 89 Mn in FY26 from NPR 79 Mn in FY25, while EBITDA margin remained broadly stable at ~65% compared to ~64% in FY25. Despite the improvement in operating performance, the company continued to report a net loss, although PAT loss narrowed to NPR 22 Mn from NPR 27 Mn mainly due to lower interest expense, thus, resulting in negative PAT margin. Gross Cash Accruals (GCA) improved by ~21% to NPR 35 Mn in FY26 from NPR 29 Mn in FY25, reflecting improved cash generation from operations. Going forward, the company's ability to sustain improvement in operating performance and move towards profitability will be a key monitorable.

Moderate capital structure

GHL's capital structure strengthened in FY26, with total debt declining to NPR 696 Mn from NPR 750 Mn in FY25, resulting in improvement in overall gearing ratio to 0.44x from 0.47x. Interest coverage ratio improved to 1.61x from 1.09x, supported by higher EBITDA and lower interest expense. Similarly, DSCR improved marginally to 1.06x from 1.03x, indicating a modest improvement in debt servicing capacity, although the cushion remains limited. Total debt/GCA improved to 19.79x in FY26 from 25.80x in FY25, supported by lower total debt and improved GCA.

Investment in under construction project having execution and funding risk

Chhujung Khola Hydropower Project (CKHP), a Peaking-Run-of-River (PRoR) hydropower project being developed by Sangrila Urja Limited (SUL), a subsidiary of GHL, has an estimated project cost of ~NPR 12 Bn, to be financed through a debt-equity ratio of 75:25. As of August 2026, the project remains in the early construction stage, with preparatory works including camp establishment, bunker construction, road access and bridge works across the Arun River. As of mid-July 2026, GHL had injected NPR 923 Mn against its equity commitment of NPR 1,100 Mn from the proceeds of its right share issue. However, SUL is yet to achieve financial closure for the debt portion, creating a funding risk and potential risk to timely project execution. Timely financial closure and continued equity infusion to support smooth project execution will remain key monitorable.

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

Run-of-the-river (ROR) projects have no or little capacity for storage of water leading to high dependence on the river water flow for power generation. Due to this, these projects have higher generation during wet season (Mid-April to Mid-December) and lower during dry season (Mid-Dec to Mid-April). ROR projects are directly exposed to risk associated with variation in discharge of water from the river. GKHP is utilizing discharge from tailrace of Ghalemdi Khola located at Myagdi District, having catchment area of 84.70 km^2. Similarly, CKHP is Peaking Run-of River (PROR) project with 4 hours peaking which will avoid the high dependence on the RoR water flow. It allows for energy storage during periods of low demand and releases that stored water during peak demand times. However, 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

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.

Analytical Approach: Standalone

Applicable Criteria:

Issuer Rating Methodology & Power Projects Rating Methodology

Past Rating Rationale:

Ghalemdi Hydro Limited: Issuer Rating and Bank Facilities Rating Reaffirmed

About the Company:

Ghalemdi Hydro Limited (GHL) underwent conversion from a private limited company to a public limited company on January 05, 2014 and subsequently got listed on NEPSE on February 17, 2019. The company was established to develop, own and operate "Ghalemdi Khola Hydroelectric Project" with a capacity of 5 MW in the Myagdi district of Nepal, with the entire power generated intended for sale. GKHP boasts an 84.70km^2 catchment area, a design discharge of 3.50m^3/s at 41.40% PoE and a gross head of 149.83m. Furthermore, the company has invested in ongoing projects of its subsidiary, SUL. The project under SUL include "Chhujung Khola Hydropower Project" (CKHP) of 63 MW. CKHP has 203.985km^2 catchment area & 8.41m^3/s design discharge at 40% PoE with gross head of 910m.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	97	102	124	137
EBITDA Margin (%)	63.31	61.00	64.12	64.70
Interest Coverage Ratio (x)	0.52	0.62	1.09	1.61
Current Ratio (x)	0.41	1.05	1.15	1.96
Overall Gearing Ratio (x)	2.30	0.49	0.47	0.44

**Classification as per Infomerics Nepal standards*

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure-1: Details of Bank Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	658.78	IRN B
Fund Based Bank Facilities- Short Term Loan	Short Term	30.00	IRN A4
Total Facilities		**688.78**	

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