PRESS RELEASE

HYDRO SUPPORT PRIVATE LIMITED

November 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	11,129.80	IRN BB-	Reaffirmed
Short Term Bank Facilities	235.00	IRN A4	Reaffirmed
Total	**11,364.80**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB- (Double B Minus) to the long term bank facilities of NPR 11,129.80 Mn and the rating of IRN A4 (A Four) to the short term bank facilities of NPR 235.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Hydro Support Private Limited (HSPL) derive strength from the strong promoter group, experienced management personnel, presence of institutional promoters, low tariff and offtake risk with the presence of a long term PPA and high dry energy mix of the project. The ratings also factor in the moderate counter party risk, moderate power evacuation risk, improving electricity demand and GoN[1] support for the power sector.

However, the ratings remain mainly constrained by the execution risk associated with HSPL's under construction 66.30 MW hydropower project given its nascent development stage with ~20% physical progress achieved till mid-September 2026. Also, the project construction was delayed on account of regulatory issues resulting in delay in achieving financial closure ultimately leading to delays in the estimated timelines and any further delays may result in reduction of project life further and ultimately adversely impact the initially estimated financial benefits from the project. Furthermore, the project is exposed to the hydrology risk connected with run-of-river (ROR) power generation arrangement and vulnerability to natural calamities. Going forward, the ability of the company to manage the timely completion of the project without any time or cost overrun will remain key rating sensitivity.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team

HSPL has two directors in its Board of Directors, chaired by Mr. Chandra Prasad Dhakal who has experience of more than four decades in various industries along with hydroelectric projects. Mr. Dhakal is co-founder of conglomerate IME Group as well as chairman of Global IME Bank Limited. He is also experienced in management of hydroelectric projects such as Dordi Hydropower project (27MW) through Himalayan Power Partner Limited and Mistri Khola Hydropower Project(42MW) and Tadi Khola Hydropower Project(6MW) through Mountain Energy Nepal Limited. Furthermore, Mr. Guru Prasad Dhakal, the Director, has more than three decades of work experience in Infrastructure development projects and has involved in design of various hydropower projects. The management team is led by Mr. Chandra Prasad Dhakal himself with Mr. Munna Shakya as a Technical Manager who has around three decades of experience working as a project manager/design engineer in various hydroelectric projects and Mr. Ajeet Bikram Karki as general manager who have more than three decades of management experience in hydropower projects.

[1] Government of Nepal

Low tariff and offtake risk with presence of a long-term PPA and high dry energy mix
HSPL entered into a long-term Power Purchase Agreement (PPA) with NEA in June 2023 for the sale of 53.539 MW of power to be generated from the project. Subsequently, the PPA was amended on April 29, 2025, to include the sale of an additional 12.761 MW, thereby increasing the total contracted capacity with NEA to 66.30 MW. Furthermore, the tariff for wet/ dry season (6-6 months) is NPR 4.80/ 8.40 per kWh with a 3% escalation on base tariff 8 times every year after the completion of 12 months from the COD. Additionally, the project is supported by a high dry energy mix of ~32% with an average PLF of ~70%. Power generated from the project is proposed to be transmitted to NEA's operational Dana substation through a 7 km 132 kV transmission line.

Low power evacuation risk
The power to be generated by the project is to be evacuated through the NEA's Dana substation, which is already operational, thereby lowering the evacuation bottleneck from NEA's side. Furthermore, for the power evacuation, the project has to develop 7km long 132kV transmission line from its powerhouse to NEA's Dana substation. The ability of the company to timely secure the fund to complete the evacuation structure on timely basis will remain crucial.

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

Project implementation risk
The company is constructing 66.30 MW Middle Kaligandaki Hydroelectric Project (MKGHEP), which is in nascent stages of construction with ~20% physical progress achieved till mid-September 2026. The total estimated cost of the project is NPR 14,840 Mn, equivalent to NPR 224 Mn per MW at a debt: equity mix of 75:25. As of mid-September 2026, promoters have infused ~39% of the total equity component required for the project including advance share capital of ~NPR 434 Mn. The debt component required for the project i.e., NPR 11,130 Mn has been tied up. Contracts for civil, hydro mechanical and electro mechanical works has been awarded alleviating execution risks to some extent. The Required Commercial Operation date (RCOD) of the project is June 21, 2028 providing moderate headroom for project construction. However, there was a delay in securing financial closure and PPA due to regulatory issues which has caused delays in timeline and reduction of life of the project as awarded by the Generation license. Any further delays may result in reduction of project life further and ultimately adversely impact the initially estimated financial benefits from the project. The ability of management to secure extension of generation license till PPA period will remain 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. HSPL is intended to utilize discharge from Middle Kaligandaki river having a catchment area of 3,638.4 sq kms based on Perennial River with design discharge of the project is 52.85m3/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. In

addition, PPA envisages HSPL to sell at least 30% of its contracted energy during dry season, failure to which will account for penalties hampering operating profits of HSPL further.

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 HSPL 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:

Power Projects Rating Methodology

Link to Past Rating Rationale:

Hydro Support Private Limited: Bank Facilities Rating Reaffirmed

About the Company:

Hydro Support Private Limited (HSPL) was incorporated on January 01, 2008 to build, own and operate 66.30 MW run-of-river Middle Kaligandaki Hydropower Project, Annapurna Rural Municipality, Myagdi district of Nepal. The project has catchment area of 3,638.4 sq kms based on Perennial River with design discharge of the project is 52.85m3/s at exceedance flow of 40%. The major shareholder of the company is M/S One Capital Holding Limited holding ~20% of shareholding followed by Mr. Chandra Prasad Dhakal, holding ~15% of shareholding of company as on Mid-September 2026.

Annexure 1: Detail of Facilities

Instrument/Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities-Term Loan	Long Term	11,129.80	IRN BB-
Short Term Bank Facilities-Cash Credit	Short Term	235.00	IRN A4
Total		**11,364.80**	

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About Infomerics Credit Rating Nepal Limited:

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