

## NRN INFRASTRUCTURE AND DEVELOPMENT LIMITED

15<sup>th</sup> Shrawan, 2077

Issue Units: 33,58,046 units

Min. Units: 10

Issue Open Date: 16/04/2077

Rating: CARE-NP IPO Grade 4

Issue Price: Rs.100

Max. Units: 31,60,180

Issue Close Date: 21/04/2077

Issue Manager: Sanima Capital

Chairman: Mr. Jiba Nath Lamichhane

Chief Executive Officer: Ms. Usha Khatiwada

Capital Structure	Pre IPO	Post IPO
Authorized Capital	Rs.5000M	Rs.5000M
Issued Capital.	Rs.1132.6M	Rs.1132.6M
Paid-up Capital	Rs.792.87M	Rs.1132.6M
Promoter / Public Ratio		70%/ 30%

## Financial Highlights (in millions)

FY	75/76A	Q2 76/77	76/77E	77/78E	78/79E
Cap.	792.87	792.87	1132.68	1132.68	1132.68
R&S	16.32	21.64	24.17	39.25	49.44
Net worth	809.19	814.52	1156.85	1171.93	1182.12
Investments	575.09	589.09	687.63	850.12	1000
Div. Income	0.56	-	0.27	26.81	47.13
Int. Income	24.59	10.63	35.81	23.03	11.54
T. Income	25.15	11.03	41.07	49.84	58.68
Net Profits	16.17	5.32	23.14	37.74	48.7
CFFOA *	14.08	5.65	35.01	44.64	53.71
Free CF *	14.08	5.29	34.98	44.64	53.71

\*Self-computed

Ratios	75/76A	Q2 76/77	76/77E	77/78E	78/79E
EPS	2.04	-	2.04	3.33	4.3
NWPS	102.06	-	102.13	103.47	104.37

## Major Investee Companies

## Investment in Listed Shares

- Himalayan Power Partner Ltd \* (27MW) 38,03,539 Units
- Nepal Investment Bank Ltd.\* 27,736 Units
- HIDCL \* 62,128 Units

\*Associate with 35.70% Stakes of the Subject Company.

\*Shares includes Stock Dividend as well.

## Investment in Unlisted Shares

- Sanima Middle Tamor Hydropower Ltd. (73 MW) 640,000 Units
- Sweet Ganga Hydro. & Construction Ltd. (28.1MW) 1,000,000 Units
- Mathillo Mailung Khola Jalvidhyut Ltd. (14.3MW) 225,000 Units

## Investment in Mutual Funds

- Sanima Equity Fund 400,000 Units

**Utilization of IPO Proceeds:** Planned to Invest in Projects in Generation, Transmission and Distribution of HEPs.

Investment Schedules	76/77E	76/77E	76/77E
1. Hydro Companies (Rs.)	100M	150M	150M
2. Annual Investments (Rs.)	100M	150M	150M
3. Accumulated Investments (Rs.)	100M	250M	400M

## Targeted Investee

- Thulo Khola HEP (21.3 MW)
- Joom Khola HEP (56 MW)
- Middle Kaligandaki HEP (53.539 MW)

Portfolio mainly concentrated on Hydro Companies, long gestation periods before Revenue materialization, marginal – nil dividend anticipation, flaw in Accounting Projections. Challenges of COVID\_19.

## Snapshots...

❏ **About the Issue:** Out of the offered 33,58,046 units, 2% i.e. 67,961 units is allocated to the employees, 5% i.e. 1,65,502 units is reserved for Mutual Funds and remaining 31,60,183 units are available to General Public.

❏ **About the Company:** NRN Infrastructure and Development Ltd. (formerly NRN Investment Limited) was incorporated on 31<sup>st</sup> Bhadra 2069 B.S. by a Group of Non-Resident Nepali (NRN). Objective - Mobilize Remittances through investment in the Infrastructure Sectors of the Country viz. Hydropower, Tourism, Health etc. Registered office - Chabahil, Ktm.

❏ **Rationale of Issue Rating:** Care Rating Nepal Ltd. assigned 'CARE-NP IPO Grade 4' to the subject IPO which indicates 'Below Average Fundamentals.' Rationale put by the Rating Agency are – Concentrated Investments & Revenue Profiles, Long gestation periods of investment, Lower ROE, Possibilities of Cost Overrun, Implementation & Hydrology Risks on Ongoing Projects of Investee Companies. However, the Company has Moderate financial risks profile & debt free investment plans.

❏ **Financial summary:** Stand-alone FS are prepared/audited/projected as per NAS with no Equity Accounting of its Associate (since Dordi Khola HEP is still under construction with no revenue recognition & dividend distribution). Company in its 8<sup>th</sup> Year of operation has a trivial performance, 98% revenue contributed by Interest from BFI's FD, thereby mirroring marginal returns from its Investments. On completion of Dordi Khola HEP, Operating Income could be greatly boosted. Company is fully Equity financed and near 3/4<sup>th</sup> Capital is invested as on Q2 76/77. We observe accounting flaws in Projections (particularly at Cash Flow Statements) and thereby refrain from commenting on same. However, significant variance exists between Q2 76/77 & FY 2076/77E. Accounting Restatements under NFRS to be watchful.

❏ **Capital and Dividend Plan:** Projected Reports reflects no Capital increment implying no intention of Company to distribute Bonus dividend or issue any Rights. However, given the Authorized Capital, the company has enough space to Issue Bonus/Rights. Besides, the Cash Dividend as projected is very negligible (1% - 3%) manifesting no clear picture of Dividend distribution, 3 years north.

❏ **Risk factors:** Major risks relates to Performance/Operational/Market etc. Risks assumed by the Investee Companies under Portfolio particularly Hydropower Projects since the Subject Company Performance largely depends on returns from such Investees. Besides, the Portfolio is much concentrated (66% of Investment in Dordi Khola HEP) and revenue concentrated on Interest from BFI's deposits, mainly Fixed.

❏ **Subject Company v/s HIDCL:** Both the companies operated its activities at similar time frame where former has NRN's majority stakes and later has GoN stakes. HIDCL has sole objective to invest in Hydro Projects while the Subject Company envisions to invest in Hydro & other Sectors. Both the Company differs significantly in terms of Size, Capital Structures, Investments, Profitability, etc. HIDCL is comparatively bigger and has constantly provided avg. 8% dividend, floating at Rs.130 in NEPSE.

❏ **Valuation / Pricings:** Not carried out given the information/data constraints, low reliability on Projections and limited Peers.

IPO Listing Range: Rs.102.06 – Rs.306.18

Disclaimers: Not to be inferred as Investment Recommendation.