

## GHALEMDI HYDRO LIMITED

Issue Units (G.Public): 1,478,770 units Minimum Units: 50  
Issue Price: Rs.100 Maximum Units: 10,000

Issue Open Date: 19/09/2075  
Issue Close Date: 23/09/2075

Rating: ICRANP IPO Grade 5  
Issue Manager: Vibor Capital Ltd.

Of the Rs.55,00,00,000 Issued capital, 20% which is Rs.11,00,00,000 (i.e. 11,00,000 units) is being issued to the Public. This further is sub-divided into 22,000 unit for Staffs, 55,000 units for Mutual Funds and remaining 10,23,000 units for the General Public. The company had earlier issued 5,50,000 units for the Locals of Project affected areas. However, only 94,230 units were subscribed by the Locals and therefore remaining 4,55,770 units is added for issuance to the Public. Total issuance to the General Public leaving the issuance to Staffs and Mutual Funds is therefore 1,478,770 units.

Project Name: Ghalemdi Hydro Electric Project (GHEP)

Project Capacity: 5 MW

## PROJECT PROFILE

Project Type	Run of River
Project Model	BOOT
Project Site	Myagdi, Annapurna - 4
Status	Construction
COD (Estimated)	2076/01/01
Annual Energy Generation	29,123,561 kWh
Wet Season (8 mths)	24,256,043 kWh
Dry Season (4 mths)	4,867,518 kWh
Total Cost of Project	Rs. 115 crore
Per Megawatt Cost	Rs. 23 crore
Issue date of Gen. License	2070/9/14(4mw) / 70/12/25(1mw)
Validity of Gen. License	2105/9/13
PPA date	2069/12/30(4mw) / 74/4/19(1mw)
Payback Period	8.78 yrs
Disc. Payback Period	20.70 yrs

Ownership	Promoters	70%
	Locals	1.28%
	General	28.72%

Financial Highlights (in millions)

Financial Years	74/75	75/76E	76/77E	77/78E
Paid Up Cap.	385	550	550	550
Reserve & Surplus	-	(26.25)	(13.47)	23.56
Rev. from Sale of Energy	-	37.05	144.22	159.02
Net Profits	-	(26.25)	12.77	37.04

Ratios	74/75	75/76E	76/77E	77/78E
EPS	-	(4.77)	2.32	6.74
BVPS	73.18	79.70	85.90	96.52

Peer Projects Comparisons

Projects	Capacity (MW)	Cost / MW	Rating (ICRA)
DHPL	4	211 mill	4
KPCL	6	231 mill	4
UHCL	3	271 mill	3
KKHC	6.36	-	4+

**Valuation:** We project the company to be worth at most Rs.139.53 over its entire valid periods.

Snapshots...

- Utilization of IPO proceeds:** Total IPO proceeds of Rs.15,55,77,000 is projected to be used for Paying off Short term debt amounting Rs.13,85,76,000 to BFI's and pay remaining Rs.1,70,01,000 to the Contractors.
- Rating downgraded by ICRA:** The rating agency ICRA has assigned Grade 5 to the proposed IPO of the company on December 2018. ICRA had previously assigned Grade 4 to the IPO on last December 2017. Grade 5 is considered to be the least Grade indicating Poor Fundamentals.
- Dividend projections:** Company projects to distribute 10% dividend amounting Rs.5.5crs. in the FY 78/79, FY 79/80 and FY 80/81.
- Briefing Financial Statements with projections:** Company has applied for additional Rs.5 crs bank loan for the project which shall total the debt to Rs.60 crs, resulting the debt-to-equity mix of 48:52. The debt is projected to be amortized over 12 years. Company has capitalized Rs.10.32 crs which is projected to be transferred as revenue expenditure of Rs.2.13 crs from FY 2075/76. Company sets to commercially operate (4 MW) from 01/01/2076 and accordingly it has pro-rated its income statements. For delay in energy generation, the company is estimated to pay Rs.96.81 lakhs penalties to NEA in FY 2075/76. These are the major contributors for negative fundamentals seen on its financial statements in the initial years. Additional 1 MW energy is expected to contribute the revenue from FY 77/78. BVPS is still below par in the projected periods.
- Project Status and Risk factors:** As of mid-November 2018, the project has accomplished approx. 90% physical progress as against the financial outlay of 97%. Significant cost and time overrun were the major concerns of the project and is still a worry ahead. Project also has the evacuation risk, possibility of delay in construction, escalation of civil cost components etc., affecting the return potentials. Further, it is not protected from the effects arising out of delay in loan repayment due to absence of "deemed generation clause" in PPA.
- Opinion and Outlooks:** We believe the commercial operation of 4MW project will take place as on scheduled time while probability exist on 1 MW project. We foresee the company to accumulate an average revenue of Rs.13.56 crs operating at 75% capacity. Preliminary expenses might be written off by FY 2079/78. We highly doubt the company projection of Rs.5.5 crs dividend payout in FY 78/79, 79/80 & 80/81. This may be constrained by the company liability to repay the debt along with incrementing interest. Project cost of Rs.23 crs per MW looks reasonable as compared with peers and by the fact that the project's progress has been crippled by the combined force of earthquake and economic blockade. Given the least concerns shown by the Locals with under-subscription of 82.8% of the Local issue, the IPO looks least favorite to the public as well as its staffs. However, we believe the IPO to be subscribed at full.

Disclaimers: Not to be inferred as Investment recommendations.

Sources: Prospectus, Offer Letter, ICRA Ratings.