

UNIVERSAL POWER COMPANY LIMITED

Issue Units (G.Public): 8,674,492 units
Issue Price: Rs.100

Minimum Units: 50
Maximum Units: 5000,000 units

Issue Open Date: 25/10/2075
Issue Close Date: 29/10/2075

Rating: ICRANP IPO Grade 4
Issue Manager: Siddhartha Capital Ltd.

Of the Rs. 2,100,350,000 Issued capital, 9,327,410 units is being issued in the 2nd phase of issuance to the Public. 186,548 units (2%) is segregated for the employees of the company and 466,370 units (5%) is for the mutual funds and the remaining 8,674,492 units is offered to the rest General Public. In the previous phase, the company had floated 2,100,350 units for the Locals of Project affected areas of Gaurishankar, Kalinchowk and Bigu VDC of Dolkha District but the staggering 84% went unsubscribed. The unsubscribed portion of issue to locals (i.e., 1,766,150 units) is then incorporated in the 2nd phase of issuance.

Project Name: Tallo Khare Khola Hydropower Project

Project Capacity: 11 MW

PROJECT PROFILE

Project Type	Run-off-River
Project Model	Built, Operate & Transfer
Project Site	Dolkha District
Status	Under Construction
COD (Estimated)	2076/04/03
Annual Energy Generation	62,731,751 kWh
Wet Season (8 mths)	51,204,551 kWh
Dry Season (4 mths)	11,527,200 kWh
Total Cost of Project	Rs. 204.6 crore
Per Megawatt Cost	Rs. 18.60 crore
Issue date of Gen. License	2069/03/19(8.26mw) / 2071/10/08(11mw - Revised)
Validity of Gen. License	2104/03/18
PPA date	2069/10/22(8.26mw) / 2073/02/17(2.74mw)
Payback Period	7.90 yrs
Disc. Payback Period	14.58 yrs
Ownership	Promoters 54%
	Locals 2%
	General 44%

Financial Highlights (in millions)

Financial Years	74/75	75/76E	76/77E	77/78E
Paid Up Cap.	1134.18	2100.35	2100.35	2100.35
Reserve & Surplus	(9.76)	17.53	212.92	432.77
Rev. from Sale of Energy	-	-	340.20	350.23
Net Profits	(9.76)	5.29	195.38	219.85
Ratios	74/75	75/76E	76/77E	77/78E
EPS	(0.86)	0.252	9.303	10.468
BVPS	99.14	100.835	110.13	120.605

Peer Projects Comparisons

Projects	Capacity (MW)	Cost / MW	Rating (ICRA)
DHPL	4	211 mill	4
KPCL	6	231 mill	4
AKJCL	8.4	281 mill	5

Snapshots...

- Company Profile:** Registered on 2056/10/17 as Private Ltd. Company and converted into Public Ltd. Co. on 2067/12/16, with an objective to develop and invest in hydro projects. Registered office is situated at Tripureshwor-11, Kathmandu. Associated company of CEDB Hydro Fund Limited (CHF).
- Led by competitive Personnel and Groups:** Mr. Anil Kumar Rungta is the current Chairman of the company and Mr. Vinay Kumar Bhandari is the Managing Directors. The directors as well as the employees carries the years long experience and personal relations in the hydro as well as BFI's industries. Moreover, company is backed by CEDB Hydro Fund, Radhi Bidyut company, Khare Investment Ltd. etc.
- Subpar Rating:** ICRA Nepal assigned 'ICRANP IPO Grade 4' which indicate below average fundamentals of the company. The rating is particularly conditional on risks associated with timely commissioning of 11 MW projects.
- Utilization of IPO proceeds:** The IPO proceeds amounting to NPR 966 million is projected to be utilized to pay off the Project Development Loans. The certified expense report till mid-May 2018 puts outstanding loan figure at Rs. 307 million. This means that the project will be funded almost wholly through equity, which will tone down the financial risk to a large extent.
- Project Cost:** Project cost of Rs.18.60 crores per megawatt is comparatively lower than other Hydro Projects in recent developments. However, there remains the possibility of cost overrun.
- Financial highlights:** After the public issue, the paid up capital will reach to Rs.2.1 billion. Company has a negative reserves of Rs.97.6 crores, which is the debit P/L A/c, almost all composed of Administrative expenses. For the coming years, significant revenues are likely to be consumed by writing off the pre-operating costs as well the interest charged on bank loan. Revenues from electricity sale are expected to be constant. EPS is projected positives while BVPS is above par.
- Major Assumptions in Projected Statements:** The Company project to commercially sell the electricity from 2076/04/03. Selling rate will be escalated at 3% for the next 5 years. Company will pay royalty of Rs.1 lakh per megawatt every year and 2% of net earnings. Other incomes includes interest earned on its Fixed deposits and returns on Investments.
- Opinions:** Given the least interest of Local's on the issued IPO with only 16% subscription on multiple extended deadline and huge issue size, the IPO to the Public as well might fail to garner huge Interest. Also, the below par trading prices of Hydro companies shares in the Secondary markets could affect the Issue. However, we believe the projected earnings of the companies are competitive to the industries.

Disclaimers: Not to be inferred as Investment recommendations.

Sources: Prospectus, Offer Letter, ICRA Ratings.