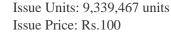
# IPO SNAPSHOTS Sector: Hydropower

# RASUWAGADHI HYDROPOWER COMPANY LTD.



Minimum Units: 10 Maximum Units: 5,000 Issue Open Date: 06/01/2076 Issue Close Date: 10/01/2076 Rating: ICRANP IPO Grade 4+ Issue Manager: Siddhartha Capital Ltd.

6<sup>th</sup> Baisakh, 2076

The Issued Capital of the Company stands at Rs. 6.84 arba i.e. 68,421,000 unit shares. Out of the Issued Capital the company has allotted its 16,421,040 unit of shares to the contributories and employees of the lender institution and promoter companies. Currently, the company has floated 15% of the Issued capital i.e. 10,263,150 unit of shares to general public inclusive of issue for employees of the institution and mutual funds. Out of this issue, 410,526 unit of shares is separated for employees of the institution and 513,157 unit of shares is issued to Mutual Funds Therefore, general public other than mentioned above can apply for only 9,339,467 unit shares. After

#### Project : Rasuwagadhi Hydroelectric Project

Project Capacity: 111 MW

### PROJECT PROFILE

Project Type		1	Run o	fRiv	er			
Project Mode		BOOT						
Project Site	-	Gosaikunda, Rasuwa						
Status		Under Construction						
RCOD		2076/11/07						
Annual Ener		613.875 GWh						
Dry Season		84.318 GWh						
Wet Season	-	529.557 GWh						
Total Project	IDC) ]	Rs. 16.78 arba (Rs.15.12 cr/MW)						
Issue date of	ense 2	2069/08/21						
Validity of Ger		2104/08/20						
PPA date		2	2068/0	1/28				
Ownership	Promote	ers			51%			
(post IPO)		s of lending ins and			24%			
	ns Public			15%				
		be issued)			10%			
Financial Hi								
Financial Years		74/75		76E	76/77E	77/78E		
Paid Up capital		5131.58	684	2.10	6842.10	6842.10		
Reserves and Surplus		(139.21)	(140	5.46)	241.51	873.85		
MT and LT Loan		2,495.57	4,28	34.20	7,995.45	7,175.41		
Net Fixed Assets		185.64	18	1.45	16,154.36	15,559.31		
Revenue from operation		-		-	1,228.43	3,283.26		
Interest Expenses		-		-	384	905.67		
Net Profits		(12.11)	(7.	25)	387.97	1,316.55		
<u>Ratios</u>	74/75	75,	/76E	76/	/77E	77/78E		
EPS	(0.24)	(0	.11)	5.	.67	19.24		
BVPS	97.29	97	7.86	10	3.53	112.77		
Intt. Coverage	-		-	31.	26%	27.58%		
Debt/ Equity	33.33%	39.	02%	53.	02%	48.19%		
Projects Comparisons								
	Capacity	Dis.	PBP			Rating		

Capacity	Dis. PBP		Rating
(MW)		Cost / MW	(ICRA)
21.6	10.72 yrs	198.59mil.	4
14.9	11.99 yrs	175.5 mil.	4
456	11.51 yrs	108.1 mil.	4
	<i>Capacity</i> ( <i>MW</i> ) 21.6 14.9	Capacity (MW) Dis. PBP   21.6 10.72 yrs   14.9 11.99 yrs	(MW) Cost / MW   21.6 10.72 yrs 198.59mil.   14.9 11.99 yrs 175.5 mil.

**Valuation:** We project the company to be worth at most Rs.309.97 per share.

this issue, the company plans to float 10% of the issued capital to the local residents of the project location.

### Snapshots...

- About the Company: The Company was registered on 17th of Shrawan, 2068 as a public limited company. The promoters of the company are Chilime Hydropower Company and NEA owning 33% and 18% respectively post IPO issuance. Registered office is located at Maharajgunj, Kathmandu while Project site is at Rasuwa district.
- <u>Utilization of IPO proceeds</u>: Total IPO proceeds of Rs.1,026, 315,000 is projected to be used for financing the project construction and payment of other expenses. The repayment of consulting fees and administrative expenses constitutes 3.46% and 0.27% respectively of the total IPO proceeds. Remaining amount is to be utilized in the construction of project.
- <u>Rationale of ICRA Rating</u>: ICRA Nepal has assigned IPO Grade 4+ for the IPO issue of Rasuwagadhi. The assigned grading takes into account the strength of promoter companies. The return of the project is constrained by the likelihood of cost overrun due to delay in the commissioning of the project. The increased risk of foreign currency exposure linked with evacuation risk will be the key sensitivity factors for project returns.
- **<u>Risks factor:</u>** The project endures foreign currency risk exposure in the event that the Nepalese currency devaluates. The contractual liabilities denominated in USD constitutes a larger proportion of the project cost. Furthermore, the energy generated from the project is expected to be evacuated using 132 kV transmission line to the Chilime substation. Delay in the construction of substation poses threat to the return of the project.
- **Delay in project commissioning:** Although the required commercial operation date for the project is set to be on 7<sup>th</sup> of Falgun, 2076, the current physical progress of the project is about 65-70%. The project is therefore, likely to delay its commissioning by approx 13 months. The delay in commissioning of the project also indicates cost overrun.
  - **Return Potentials:** We expect the company to generate revenue from the sale of electricity on an average of Rs. 3.218 arba annually. Similarly the project costs is expected to average to Rs. 31.96 crores. The administrative expenses of the company averages to Rs. 116.33 crores. The interest expenses which constitutes almost 48.36% of the total expenses is eroding the returns of the project. We further project the company to yield a net profit of Rs. 2.04 arba annually. However, a cash flow is generated by the company amounting to Rs. 2.62 arba on an annual basis.

**Valuation:** We have used embedded method for deriving the value of the company where Net worth of the company pre issuance of IPO is added to the present value for future cash flows generated. The Net worth of the company as of FY 74/75 (i.e. Rs. 4.99 arba) combined with PV of future cash flow derived post IPO (i.e. Rs. 16.22 arba), giving the value of Rs. 309.97 per share. PV is calculated by projecting the free cash flow for 28 years. We assume 10% outage and discount rate of 12%.

IPO LISTING RANGE Rs. 97.29 - Rs. 291.87

Disclaimers: Not to be inferred as Investment recommendations. Sources: Prospectus, Offer Letter, ICRA Ratings.