

RASUWAGADHI HYDROPOWER COMPANY LTD.

Issue Units: 9,339,467 units

Minimum Units: 10

Issue Open Date: 06/01/2076

Rating: ICRANP IPO Grade 4+

Issue Price: Rs.100

Maximum Units: 5,000

Issue Close Date: 10/01/2076

Issue Manager: Siddhartha Capital Ltd.

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

Project : Rasuwagadhi Hydroelectric Project

Project Capacity: 111 MW

PROJECT PROFILE

Project Type	Run of River
Project Model	BOOT
Project Site	Gosaikunda, Rasuwa
Status	Under Construction
RCOD	2076/11/07
Annual Energy Generation	613.875 GWh
Dry Season	84.318 GWh
Wet Season	529.557 GWh
Total Project Cost (Inc. IDC)	Rs. 16.78 arba (Rs.15.12 cr/MW)
Issue date of Gen. License	2069/08/21
Validity of Gen. License	2104/08/20
PPA date	2068/07/28

Ownership	Promoters	51%
(post IPO)	Employees of lending ins and promoters ins	24%
	General Public	15%
	Locals (yet to be issued)	10%

Financial Highlights (Fig. in million)

Financial Years	74/75	75/76E	76/77E	77/78E
Paid Up capital	5131.58	6842.10	6842.10	6842.10
Reserves and Surplus	(139.21)	(146.46)	241.51	873.85
MT and LT Loan	2,495.57	4,284.20	7,995.45	7,175.41
Net Fixed Assets	185.64	181.45	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

Ratios	74/75	75/76E	76/77E	77/78E
EPS	(0.24)	(0.11)	5.67	19.24
BVPS	97.29	97.86	103.53	112.77
Intt. Coverage	-	-	31.26%	27.58%
Debt/ Equity	33.33%	39.02%	53.02%	48.19%

Projects Comparisons

Projects	Capacity (MW)	Dis. PBP	Cost / MW	Rating (ICRA)
Mountain Hydro	21.6	10.72 yrs	198.59mil.	4
Panchar Power	14.9	11.99 yrs	175.5 mil.	4
Upp. Tamakoshi	456	11.51 yrs	108.1 mil.	4

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

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.
- Utilization of IPO proceeds:** 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.
- Rationale of ICRA Rating:** 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.
- Risks factor:** 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 7th 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.