

ASIAN HYDROPOWER COMPANY LIMITED

Issue Units: 6,97,200 units

Minimum Units: 10

Issue Open Date: 27/10/2079

Rating: CARE-NP BB (Is)

Issue Price: Rs.100

Maximum Units: 20,000

Issue Close Date: 02/11/2079

Issue Manager: NMB Capital Ltd

Project Name: Lower Jogmai Hydropower Project
Project Capacity: 6.2MW

PROJECT PROFILE

Project Type	Run of River
Project Model	BOOT
Project Site	Illam
Status	In Operation
COD	2078/07/15
Annual Energy Generation	35.92 GWh
Wet Season (8 mths)	30.41 GWh
Dry Season (4 mths)	5.50 GWh
Total Cost of Project	Rs. 1.31 billion (With IDC)
Per Megawatt Cost	Rs. 211.5 million
Issue date of Gen. License	2076/03/12
Validity of Gen. License	2111/03/11
General/Disc. Payback Period	7.09 yrs. / 11.83 yrs.
Internal Rate of Return	13.56%

UTILIZATION OF IPO PROCEEDS

Proceeds to go for payment of promoter loans, calls in advances and trade creditors.

OWNERSHIP

Promoters ("A")	65.29%
Locals ("B")	10%
General ("B")	24.71%

KEY FINANCIAL HIGHLIGHTS (in millions)

FY	Q478/79	Q179/80	79/80E	80/81E	81/82E
Paid Up Cap.	235	235	340	340	340
R&S	(23)	6	15	64	122
LT Loan	1031	1037	949	855	835
Power Sales	99	63	196	202	207
Op. Profit	42	47	132	137	142
Net Profits	(21)	29	38	48	58

RATIOS	Q478/79	Q179/80	79/80E	80/81E	81/82E
EPS	(10.03)	13.28	11.29	14.15	17.14
BVPS	89.67	108.58	104.55	118.70	135.85
Int. coverage ratio (in times)	0.66	2.65	1.41	1.54	1.70

VALUATION / PRICING

As per P/E	454.67
As per P/B	442.62

6.2MW HEP operating commercially since Kartik, 2078. As per Q12078/79, company is in profit. Company forecasts to be in comfortable Interest Coverage Ratio (ICR) from Q478/79 (~ 0.66 times) to be ~1.7 times on F.Y 81/82E. Moreover, company forecasts leveraged balance sheet having D/E of 1.81 times in F.Y 81/82E. The company forecasts no dividend along 3-year window period. Moreover, company forecasts no issue of rights and bonus share issue.

Snapshots...

🌀 **About the Issue:** Out of the offered 8,40,000 units. 84,000 units (10%) for the Nepalese employed abroad, 42,000 units (5%) for mutual funds, 16,800 units (2%) are allocated to the employees and remaining 6,97,200 units are available for General Public.

🌀 **About the Company:** The company is a Special Purpose Vehicle (SPV) promoted by Urja Developers Pvt. Ltd. (16.67%), Samling Power Company Ltd. (2.25%), CE Construction Pvt. Ltd. (15.09%) and Grande Holdings Pvt. Ltd. (9%); started as a private company converted to public Limited on 2076/06/24. Registered office at Sanepa Lalitpur. Chairperson: Bijay Bahadur Rajbhandari, Directors: Shyam Milan Shrestha, Gopal Manandhar, Mohan Das Manandhar, Bhanuhakta Pokhrel, Mangala Amatya, Rajkumar Lakhe.

🌀 **Rationale of Credit Rating:** Care Ratings Nepal Ltd. assigns [CARE-NP BB (Is)] rating. Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations. Rationale put are- modest operational efficiency-operational PLF of 79% of the total contracted energy till Baisakh, 2079. Project implementation and stabilization risk, hydrology risk, but supported by strong parentage, low power evacuation risk

🌀 **Utilization of IPO proceeds:** The company will receive Rs, 118 Mill. as IPO proceeds. The company plans to offload promoter loan of Rs. 70 Mill, pay out Calls in Advance of Rs. 12.5 Mill, pay dues of trade creditors of Rs. 23.32 Mill. Remaining Rs. 12.1 Mill will be kept as cash reserve for maintenance and purchase of spare parts in future.

🌀 **Financial Health:** The Company is in profitable situation (on Q12078/79). The company has maintained modest operational efficiency in power production. Moreover, D/E ratio stands at 5.31 times as on Q4 78/79; which is forecasted to be reduced to 1.81 times by F.Y 81/82E. As per cash flow of year 79/80E, company plans to lay off current liabilities of Rs. 91.66 Mill. with interest payments recording loss in operating cash flow. The same is cushioned by surplus in financing activities. The company expects to maintain average ROE of ~11.77% along the forecasted years. So, maintenance of satisfactory electricity generation would be main driver of profit sustainability in future.

🌀 **Risk Factors:** Project implementation and stabilization risk due to modest 79% operational PLF of the total contracted energy till Baisakh, 2079, past history of lower hydrology and scheduled outage.

🌀 **Pricing & Assumptions:** Our comparatives with similar HEP installed capacity finds that the peer stocks are currently trading at approx. 3.95 times their BVPS and 55.87 times their EPS. Thus, we determine the pricing of Asian Hydropower scrip to be Rs. 442.62 and 454.67 in secondary market at current scenario. No DCF valuation due to lack of data.

Disclaimers: Not to be inferred as Investment recommendation.

Source: Prospectus, Offer letter and Care grading report.