



BARAHI HYDROPOWER PUBLIC LIMITED

Issue Units: 554,000 units

Minimum Units: 10

Issue Open Date: 21/08/2079

Rating: ICRANP-IR B-

Issue Price: Rs.100

Maximum Units: 10,000

Issue Close Date: 26/08/2079

Issue Manager: NIBL Ace Capital Ltd

Project Name: Theule Khola Jalvidhyut Aayojana

Project Capacity: 1.5 MW

PROJECT PROFILE

Project Type	Run of River
Project Model	BOOT
Project Site	Jaimini Municipality, Baglung
Status	In Operation
COD	2075/03/24
Contract Energy	8.217 GWh
Annual Energy Generation	82,17,637 kWh
Wet Season (8 mths)	68,88,354 kWh
Dry Season (4 mths)	13,29,283 kWh
Total Cost of Project	Rs. 37.35 crore
Per Megawatt Cost	Rs. 24.9 crore
Issue date of Gen. License	2072/05/07
Validity of Gen. License	2107/03/27
General/Disc. Payback Period	10.5 yrs / 20.5 yrs
Internal Rate of Return	10.16 %

OTHER PROJECTS IN PIPELINE

Simkosh Khola HEP	3.45 MW
Lower Theule Khola HEP	0.75 MW

UTILIZATION OF IPO PROCEEDS

BFI's Liabilities (Bridge Gap & Term Loan)	Rs.6,00,00,000
Other Project Liabilities	Rs.1,00,00,000

OWNERSHIP

Promoters ("A")	72%
Locals ("B")	5.84% (3 Yr lock-in)
General ("B")	22.16%

KEY FINANCIAL HIGHLIGHTS (in millions)

FY	77/78	78/79P	79/80E	80/81E	81/82E
Paid Up Cap.	130	180	250	250	250
Acc. Loss	(58.9)	(47.78)	(36.55)	(22.89)	(7.93)
LT Loan	207.63	186.33	117.33	97.33	73.33
Operation Rev.	23.46	35.31	38.14	40.01	41.03
Op. Profit	14.46	19.93	17.03	18.66	18.99
Net Profits	3.25	11.14	11.23	13.65	14.96
RATIOS	77/78	78/79P	79/80E	80/81E	81/82E
EPS	1.93	6.19	4.49	5.46	5.99
BVPS	64.97	73.45	85.38	90.84	96.83

*P: Provisional Report

VALUATION / PRICING

As per P/E	Rs. 234
As per P/B	Rs. 171
As per DCF	-

Small HEP's – one in commercial operation, and two other in construction phase. Operating in profits, with positive cash flow from operation. No dividend anticipation and hardly any Right Issues in 3 year windows.

Snapshots...

About the Issue: Out of the offered 554,000 units, 5% i.e. 27,700 units are reserved for the Mutual Funds, 2% i.e. 11,080 units are allocated to the employees, and remaining 515,220 units are available for General Public.

About the Company: Incorporated as Pvt. Ltd. on 2063/01/17; converted to Public Ltd. on 2071/12/03 and operating its business from 2073/12/28. Registered office at Babarmahal, Kathmandu. Chairman: Mr. Laxmi Narayan Parajuli (2.59% stake), and CEO: Mr. Surya Prakash Adhikari (21.91% stake).

Other Projects and Future Plan: Company has two other small HEP in pipeline namely; Simkosh Khola HEP (3.5MW) and Lower Theule Khola HEP (0.35MW), both scheduled to be constructed by FY 2082/83 with combined estimated cost of Rs.85 crores.

Dividend and Capital Plan: The projected reports indicates no capital increments i.e. no anticipation of Bonus/Right shares. There is no factoring of Cash Dividends as well. Further, we don't anticipate any Right Issue by the company in next 3 year.

Rationale of Credit Rating: ICRA Nepal Ltd. assigned ICRANP-IR B-rating to the Issuer, indicating high risk of default regarding timely servicing of financial obligations. Rationale put are – Company weak and fluctuating operational performance, only 68% avg. operational efficiency, high project costs, hydrology and outage risks, etc.

Financial Health: The unaudited report of FY 78/79 end depicts the accumulated loss of 26% of the paid up capital and projected to reduce to 3% by FY2081/82. Since the project is highly leveraged, majority of revenues are consumed by high finance costs. However, the debt service coverage ratio is above 1 indicating the improving factor and the company is operating at profits, realizing net profit of approx. 30% of its energy sale revenues. EPS are projected to remain near Rs. 5 while BVPS are anticipated to remain below the face value during the projected period. Other pipeline projects has the capacity to highly influence the financial statement of the company going forward.

Risk Factors: Hydrology risk remain key, resulting below 70% of the contracted energy generation annually, although provision for penalty waiver for small projects. Next, transmission risk due to its temporary evacuation structure i.e. 33 kV Amalchaur-Modi (Parbat) line to NEA Parbat sub-station near Tunibot, get overloaded in wet season causing forced outage. These factors have dampened the financial figures of the company, putting pressure on Promoters to honor its financial liabilities. Rising and volatile interest rate environment are another issues.

Pricing & Assumptions: Our comparatives with similar EPS & BVPS finds that the peer stocks currently are trading at approx. 35 and 2 times their EPS & BVPS respectively. Given the momentum continues, we expect the script of Barahi Hydropower to trade at more than 30 times its EPS going forward. No DCF valuation due to short of required data.