

# DOLTI POWER COMPANY LIMITED

Issue Units: 12,71,861 units

Minimum Units: 10

Issue Open Date: 28/12/2079

Rating: (ICRAN-IR) BB

Issue Price: Rs.100

Maximum Units: 10,000

Issue Close Date: 03/01/2080

Issue Manager: NIC Asia Capital Ltd.

*Project Name: Padam Khola Small Hydropower Project*

*Project Capacity: 4.5MW*

## PROJECT PROFILE

Project Type	Run of River
Project Model	BOOT
Project Site	Sabik Naumule, Dailekh
Status	In operation
COD	2076/09/08
Annual Energy Generation	23.07 GWh
Wet Season (8 mths)	19.37 GWh
Dry Season (4 mths)	3.7 GWh
Total Cost of Project	Rs. 1.08 billion (With IDC)
Per Megawatt Cost	Rs. 240 million
Issue date of Gen. License	2074/06/29
Validity of Gen. License	30 years
General/Disc. Payback Period	8.85yrs / 26.95yrs.
Internal Rate of Return	9.95%

## UTILIZATION OF IPO PROCEEDS

*Proceeds to go for payment of loan taken from the bank.*

## OWNERSHIP

Promoters ("A")	70%
Public ("B")	30%

## KEY FINANCIAL HIGHLIGHTS (in millions)

FY	78/79	79/80Q2	79/80E	80/81E	81/82E
Paid Up Cap.	376	376	536	536	536
R&S	(48)	(64)	(36)	(16)	10
LT Loan	550	610	534	507	473
Energy Sale	98	21	107	130	133
Op. Profit	102	9	87	85	88
Net Profits	7	(17)	12	20	26

RATIOS	78/79	79/80Q2	79/80E	80/81E	81/82E
BVPS	87	82.89	93	97	102
EPS	1.81	(5)	2.22	3.73	4.77
Int. Cov. Ratio (in times)	1.07	0.35	1.16	1.32	1.42

## VALUATION / PRICING

As per P/E	243.26
As per P/B	349.69

*4.5MW SHEP operating commercially since Poush 2076. The company plans to pay ~22% of the loans through IPO proceeds. Company presents a leveraged balance sheet despite an improved operational profile. The company forecasts no dividend along 3-year window period. Likewise, there is no scope for any rights issue in the forecasted figures.*

## Snapshots...

**About the Issue:** Out of the offered 16,09,458 units, 1,07,298 units for the Nepalese employed abroad, 141,820 units allotted to project affected locals, 68,017 units reserved for mutual funds, 20,462 units for employee and remaining 12,71,861 units are available for General Public.

**About the Company:** Incorporated as Private Ltd. on 2069/12/25; converted to Public Ltd. on 2078/03/31; registered office at New Baneshwor, Kathmandu. Chairman: Mira Gautam, Directors: Sakuntala Bogati and Capt. Menit KC. Dahal

**Dividend and Capital Plan:** Projected reports indicates no capital increment via bonus or right shares within the upcoming three-year window. Additionally, there is no provision for any cash dividends to be paid out during this time.

**Rationale of Credit Rating:** ICRA Nepal Ltd. assigns [ICRANP-IR] BB rating which indicates moderate risk of default regarding timely servicing of financial obligations. Rationale put are- strengths such as experienced management, improved generation performance, and weaknesses such as high project cost, lower contract PLF, short term liquidity, natural calamities risk and high hydrology risk.

**Utilization of IPO proceeds:** The company has an outstanding debt of around Rs. 721 Mill, and intends to utilize Rs. 161 Mill from its IPO proceeds to partially pay ~22% of the debt. The remaining debt will be paid off gradually using the company's operational cash flow in the future.

**Financial Health:** The company is in loss (on 2078/79Q2). However, the company supplied ~ 85% of contracted energy within the 8 months of F.Y 2078/79 after upgrading the evacuation structures to 33 kV from 11 kV capacity. Moreover, the company plans to pay out a chunk of loan from IPO proceeds; this declines the D/E equity ratio from 2.59 times in 79/80Q2 to 0.13 times in 81/82E. Interest coverage ratio (ICR) remains above 1 time along the forecasted years. The company's profitability hinges on better electricity sales and further cost control. With the removal of evacuation constraints, the generation is expected to remain higher than before, which can contribute to operating cash flow and profitability in near future.

**Risk Factors:** High project cost with lower contracted PLF of ~59%, High hydrological risks. Moreover, project posits concentration risk and natural calamities risk possess further threat. Also, short term liquidity concerns arise due to low reserve build-up and low on-balance sheet liquidity.

**Pricing & Assumptions:** Our comparatives with similar HEP installed capacity finds that the peer stocks are currently trading at approx. 3.59 times their BVPS and 68.08 times their EPS. Thus, we determine the pricing of Dolti Power Company Limited scrip to be Rs. 243.26 and 349.69 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.

IPO Listing Range: Rs 87 – Rs 261