



Super Madi Hydropower Limited

Issue Units: 17,43,000 units
Issue Price: Rs.100

Minimum Units: 50
Maximum Units: 50,000

Issue Open Date: 09/10/2079
Issue Close Date: 12/10/2079

Rating: ICRANP-IR BB
Issue Manager: Sanima Capital Ltd.

Project Name: Super Madi Hydroelectric Project

Project Capacity: 44 MW

PROJECT PROFILE

Project Type	Run of River
Project Model	BOOT
Project Site	Madi, Kaski
Status	Construction
COD (Estimated)	2079/11/01
Annual Energy Generation	242.65 GWH
Wet Season (8 mths)	204.894 GWH
Dry Season (4 mths)	37.756 GWH
Gross Head	305m
PPA Date	2073/10/27
Total Cost of Project	Rs. 865 crore
Per Megawatt Cost	Rs. 18.97 crore
Issue date of Gen. License	2073/12/17
Validity of Gen. License	2108/12/16
General/Disc. Payback Period	6.28 yrs / 11.10 yrs
Internal Rate of Return	14.97%

Ownership	Promoters	85%
	Locals	5%
	General	10%

UTILIZATION OF IPO PROCEEDS

Civil Construction	Rs. 10,50,00,000
Electro-Mechanical	Rs. 15,00,00,000
Hydro Mechanical	Rs. 5,00,00,000
Securities Issue Expenses	Rs. 100,00,000
Total	Rs.31,50,00,000

FINANCIAL HIGHLIGHTS (In Millions)

FY	78/79P	Q179/80	79/80E	80/81E	81/82E
Paid Up Cap.	1,785	1,785	2,100	2,100	2,100
R&S	(2.519)	(2.519)	131.51	290.43	528.91
Electricity Sale	-	-	669.48	1201	1236.88
LT Loan	5158.7	5587.7	6067	5672	5233.8
Op. Profit	-	-	459.78	784	822
Net Profits	-	-	134.02	158.92	238.48

RATIOS	78/79P	Q178/79	79/80E	80/81E	81/82E
EPS	-	-	6.38	7.57	11.36
BVPS	99.86	99.86	106.26	113.83	125.19

* P: Provisional Report

VALUATION/PRICING

As per P/E	Rs. 206
As per P/B	Rs. 400
As per NPV	Rs. 124

44MW HEP likely to undergo commercial operation from Falgun, 2079. Projected reports displays profitability ahead despite huge liabilities. No dividend anticipation and hardly any Right Issues in 3 year windows.

Snapshots...

About the Issue: Out of the issued 210,00,000 unit shares, 15% i.e. 31,50,000 units are issued to Public, where 10,50,000 units (5%) are allotted to Locals, 210,000 units (10%) to Foreign migrant workers, 105,000 units to Mutual Funds, 42000 units to Employees and remaining 17,43,000 units to General Public.

About the Company: Incorporated on 2065/10/03 and operating its business from 2069/08/19. Registered office at Dillibazar, Kathmandu. Executive Chairman: Mr. Pushpa Jyoti Dhungana (20.28% stake). One 44 MW HEP (under construction) located in Namarjun & Parche VDC, Madi, Kaski District.

Rationale of Credit Rating: ICRA Nepal Ltd. assigned ICRANP-IR BB rating to the Issuer, indicating moderate risk of default regarding timely servicing of financial obligations. Rationale put are – Project near the completion stage despite failing to meet its RCOD, low funding risk, lower evacuation risk, experienced team, etc.

Dividend projections: The projected reports indicate no capital increments i.e. no anticipation of Bonus/Right shares. There is no factoring of Cash dividends as well.

Financial Summary: Capitalized WIP assets amounts to Rs.6.47 billion till Q1 79/80. LT Debt/Equity ratio stands 3.13x while Equity multiplier is 4.76x. Since delay in production, we understate the projected Rs. 67 crore electricity sale in FY 2079/80. On full year operation, project will likely produce Rs. 1.2 billion yearly electricity revenue where it likely yields 66% and 18% operating profit and net profit respectively. Nearly 50% of revenue is consumed by Interest expenses. Other than this, financially the company is likely to operate in profits by the end of FY79/80, along with above par book value.

Project Status and Risk factors: As communicated by the company, the project will likely begin commercial production from Falgun, 2079, we anticipate that all required activities- basic, civil, hydro and electro mechanical are near its completion phase. The company missed its previous three RCOD deadline, reasoned as COVID-19 and landslides impacts. The project anticipates comparatively lower energy production (15.5%) in dry session. Some other possible risks include the cost and time overrun, evacuation risk, rising interest rates, natural calamities eg. Landslides, hydrology risk, etc.

Pricing & Assumptions: We price the company taking the EPS and BVPS of peers with similar project size. We have averaged the 3 year projected EPS and BVPS of subject company and determine that the subject company will likely trade at approx. 24 and 3.5 times their EPS & BVPS respectively. The NPV per share is computed based on the projected present value by the company itself.

Disclaimers: Not to be inferred as Investment recommendations.

Sources: Prospectus, Offer Letter, ICRA Ratings.