

## Kalinchowk Darshan Limited

Issue Units: 8,96,400 units (Public)

Minimum Units: 10

Issue Open Date: 3/10/2079

Rating: CARE-NP BB+(Is)

Issue Price: Rs.100

Maximum Units: 4,990

Issue Close Date: 6/10/2079

Issue Manager: Nabil Inv. Banking

Chairman: Mr. Bal Krishna Siwakoti

Chief Executive Officer: Mr. Ashok Siwakoti

Capital Structure	Pre IPO	Post IPO
Authorized Capital	Rs. 750M	Rs.750M
Issued Capital.	Rs.600M	Rs.600M
Paid-up Capital	Rs.480M	Rs.600M
Promoter / Public Ratio	80%/20 %	

### Financial Highlights (in millions Rs.)

FY	77/78A	Q478/79	79/80E	08/81E	81/82E
Paid Cap.	295.00	480.00	600.00	600.00	600.00
R&S	(64.46)	(51.17)	(23.97)	31.21	82.97
Net worth	230.54	428.83	576.03	631.21	682.97
Term Loan	202.78	189.78	63.65	42.70	15.12
CWIP	6.67	9.38	2.71	87.36	-
Revenue	36.94	56.77	68.15	104.88	201.62
EBITDA	30.35	46.96	56.66	92.23	168.59
Net Profits	(7.47)	13.29	27.19	55.18	111.76
CFFOA	26.99	(145.54)	160.97	113.94	188.53

Ratios	77/78A	Q478/79	79/80E	08/81E	81/82E
EPS	(2.53)	2.77	4.53	9.20	18.63
NWPS	78.15	89.34	96	105.2	113.83
D/E	0.93:1	0.48:1	0.14:1	0.11:1	0.06:1

### Sources and Uses of Fund

Rs. In Million

#### SOURCES:

Issue of Rights Share (Completed)	185
Issue of IPO to General Public	120
Matured FD and other Cash Flows	40
<b>Total</b>	<b>345</b>

#### USES:

Hotel Civil Work, Furniture, Kitchen equipment	194
Cable Car upgradation	150
<b>Total</b>	<b>344</b>
Surplus (approx..)	1

**Utilization of IPO Proceeds:** Total IPO proceeds amounts to Rs. 120 Mill. (from General Public and Locals). The amount will be used to pay loan that was taken up for setting up cable car services

### Future Projects

1. Cable car upgradation & Chair Lift
2. Hotel and Restaurant
3. Amusement Parks
4. Children Park, Fun Park

### Valuation and Pricing

In Rs.

1. As per PE (Rs.) 870
2. As per PB (Rs.) 1269

Revenue from cable car service only; project to build hotel & restaurant. Currently in profit but huge negative CFO; projected cash dividend from F.Y 81/82; but no anticipation of bonus/right shares.

### Snapshots...

**About the Issue:** Out of the offered 10,80,000 units, 10%, i.e., 1,08,000 units issued and allotted to Nepalese employed abroad, 2% i.e., 21,600 unit for employees, 5% i.e., 54,000 units for Mutual Funds and remaining 8,96,400 units offered to General Public.

**About the Company:** Started as a hydropower company; converted to Kalinchowk Darshan Pvt. Ltd. and registered on 26th Magh, 2069 B.S.; changed to public Ltd. and registered on 8th Magh, 2071. Objective – to build and operate cable car, fun park, hotels, resort and chair lift. Registered office – Gaushala, KTM.

**Other Projects and Future Plan:** The company plans to operate Hotel and Restaurant. As addition to cable car services, it plans to build and operate fun park, children park, amusement park in the leased land.

**Dividend and Capital Plan:** No capital increment projected by the company in coming years. Thus, no anticipation of bonus or rights in next three years. However, the company proposes cash dividend of Rs. 60 Mill. for FY 2081/82E.

**Rationale of Credit Rating:** Care Rating Nepal Ltd. assigned 'CARE- NP BB+ (Is) to the subject IPO which indicates 'to have moderate risk of default regarding timely servicing of financial obligations' Rationale put by the Rating Agency are – revenue concentration, seasonality of operation, small scale of operation and project implementation risk. However, rating strengths are strategic location, equity fusion by promoter and improving financial performance.

**Financial Summary:** The company is dependent upon footfalls of tourist for ticket sales. Company at present earns revenue only from ticket sales of cable car service. The company experienced increase in revenue by 54% in Q4 F.Y 78/79 as compared to F.Y 77/78; increase in other revenue contributed to profitability. The company aims to upgrade cable car facilities by F.Y 79/80 and complete Hotel construction by F.Y 82/83 with the total cost of Rs 344 Mill. This capex for hotel construction is expected to be funded by proceeds of past right issue and other cash flows; major chunk of IPO proceeds would go to loan repayment that was taken up for cable car construction. Company's profitability relies on sales of ticket and timely completion of hotel without cost overrun. Likewise, company aims to downsize external debt by paying off term loans through IPO proceeds. The current Debt to Equity ratio stands at 0.48:1 on Q4 F.Y 78/79. This would get reduced to 0.06:1 on FY 81/82E.

**Risk Factors:** Key risks - Performance/Operational/Market etc. Only source of revenue is sales of tickets for cable car service. Revenue from hotels and restaurants are yet to start; can face time & cost overruns for construction. Seasonal business; competition with others, as other hotels are present at bottom station of cable car service.

**Pricing & Assumptions:** Since CGH is the only peer company operating with the similar business model (despite the variances in size of operation) to the subject company, we base it to price the subject company.

IPO Listing Range: Rs.78.15– Rs. 234.45

Disclaimer: Not to be inferred as Investment recommendation.