

# SUPER MAI HYDROPOWER COMPANY LIMITED

Issue Units: 4,15,000 units

Minimum Units: 10

Issue Open Date: 23/10/2079

Rating: ICRANP-IR BBB-

Issue Price: Rs.100

Maximum Units: 20,000

Issue Close Date: 26/10/2079

Issue Manager: Sanima Capital Ltd

*Project Name: Supermai Hydropower Project*

*Project Capacity: 7.8MW*

## PROJECT PROFILE

Project Type	Run of River
Project Model	BOOT
Project Site	Barbote, Illam
Status	In Operation
COD	2075/07/11
Annual Energy Generation	4,73,98,420kWh
Wet Season (8 mths)	-
Dry Season (4 mths)	-
Total Cost of Project	Rs. 1.48 billion (With IDC)
Per Megawatt Cost	Rs. 190.8 million
Issue date of Gen. License	2073/11/30
Validity of Gen. License	2108/11/29
General/Disc. Payback Period	5.79 yrs. / 7.27 yrs.
Internal Rate of Return	13.27%

## UTILIZATION OF IPO PROCEEDS

All Proceeds to go for payment of Loans taken up for Project construction and IPO related expenses

## OWNERSHIP

Promoters ("A")	80%
Locals ("B")	10%
General ("B")	10%

## KEY FINANCIAL HIGHLIGHTS (in millions)

FY	78/79	Q179/80	79/80E	80/81E	81/82E
Paid Up Cap.	400	400	500	500	500
R&S	123	86	122	155	205
LT Loan	941	926	791	712	617
Electricity Sale	245	87	253	260	260
Op. Profit	196	68	184	192	192
Net Profits	124	43	119	133	140

## RATIOS

	78/79	Q179/80	79/80E	80/81E	81/82E
EPS	30.99	10.71	23.76	26.54	28.02
BVPS	130.7	121.4	124.37	130.91	140.93
Int. Coverage Ratio (in times)	2.83	2.17	1.29	1.10	0.89

## VALUATION / PRICING

As per P/E	561.55
As per P/B	517.86

7.8MW HEP operating commercially since Kartik, 2075. Project has good operational profile leading to better profitability indicator and comfortable interest coverage ratio- ICR at ~ 2.8 times on Q179/80 which is forecasted to be ~4 times on 81/82E. The company forecasts dividend of Rs. 24, Rs. 20 and Rs. 18 per Share along the F. Ys

## Snapshots...

**About the Issue:** Out of the offered 10,00,000 units. 2,00,000 units are reserved for the project affected locals and 3,00,000 units for the remaining locals of Illam. 50,000 units for the Nepalese employed abroad, 25,000 units for mutual funds, 10,000 units are allocated to the employees and remaining 4,15,000 units are available for General Public.

**About the Company:** Incorporated as Pvt. Ltd. on 2071/06/27; converted to Public Ltd. on 2074/03/18. Registered office at Gyaneshwor, Kathmandu. Chairman: Ashok Kumar Khadka. Directors: Buddhi Bahadur Thapa, Sabita Bartaula, Nawaraj Raut, Kailashman Rajbhandari and Diwash Lal Maskey.

**Dividend and Capital Plan:** The projected reports indicate no capital increments i.e. no anticipation of Bonus/Right shares in 3 forecasted years. The company plans to distribute cash dividend of Rs. 24, Rs. 20 and Rs. 18 per share from 79/80E to 81/82E.

**Rationale of Credit Rating:** ICRA Nepal Ltd. assigned ICRANP-IR BBB- rating. Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations. Rationale put are – dependence on a single source of cashflow, absence of compensation for adverse flow, 10% reserve margin clause in PPA, hydrology risk can change yearly generation pattern.

**Utilization of IPO proceeds:** At present the company has ~941.49 Mill. of long-term debt. The total IPO proceed would amount to Rs. 100 Mill., the company plans to offload ~94 Mill. of debt through same. Through forecasted cash flow examination, on 79/80E, the company plans to offload Rs. 150 Mill. debt through operating cash flow and IPO proceeds jointly. Remaining debt is to be paid through operating cash flows in coming forecasted years.

**Financial Health:** The company is in profitable situation. The company has maintained above average operational efficiency in power production due to satisfactory rain fall trend. Profit generation and subsequent EPS is above than average (compared to recent IPOs). Moreover, D/E ratio stands at 1.80 as on F.Y 78/79; which is forecasted to be reduced to 0.89 times by F.Y 81/82E. Thus, profitability, better coverage ratios are mainly to be driven by better power generating efficiency

**Risk Factors:** High hydrological risks in case of any adverse river flow scenarios without being eligible for any compensation for such losses as the PPA lacks deemed generation clause. Also, provision of 10% reserve margin clause in PPA enabling NEA to decline the energy offtake resulting reduction in revenue. Moreover, project creates concentration risk and natural calamities possess further threat.

**Pricing & Assumptions:** Our comparatives with similar HEP installed capacity finds that the peer stocks are currently trading at approx. 4.06 times their BVPS and 23.31 times their EPS. Thus, we determine the pricing of Supermai Hydropower scrip to be Rs. 517.86 and 561.55 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. 130.7– 392.1