

# SAGARMATHA JALABIDHYUT COMPANY LIMITED

Issue Units: 35,81,760 units

Minimum Units: 10

Issue Open Date: 08/12/2079

Rating: (ICRAN-IR) BBB-

Issue Price: Rs.100

Maximum Units: 10,000

Issue Close Date: 12/12/2079

Issue Manager: Prabhu Capital Ltd.

**Project Name: Super Mai A Hydropower Project**
**Project Capacity: 9.6MW**

## PROJECT PROFILE

Project Type	Run of River
Project Model	-
Project Site	Illam Municipality-2 sumbek,gangatbesi.
Status	In operation
COD	2077/02/32
Annual Energy Generation	56.47 GWh
Wet Season (8 mths)	47.72 GWh
Dry Season (4 mths)	8.75 GWh
Total Cost of Project	Rs. 1.9 billion (With IDC)
Per Megawatt Cost	Rs. 198.4 million
Issue date of Gen. License	2074/11/18
Validity of Gen. License	2109/11/17
General/Disc. Payback Period	9.04yrs / 19.40yrs.
Internal Rate of Return	11%

## UTILIZATION OF IPO PROCEEDS

Proceeds to go for payment of bank loan and other remaining liabilities.

## OWNERSHIP

Promoters ("A")	51%
Locals ("B")	10%
General ("B")	39%

## KEY FINANCIAL HIGHLIGHTS (in millions)

FY	78/79	79/80Q1	79/80E	80/81E	81/82E
Paid Up Cap.	571	571	1,120	1,120	1,120
R&S	65	52	860	202	328
LT Loan	1,164	1,161	625	508	475
Energy Sale	-	103	273	281	289
Op. Profit	174	75	220	241	246
Net Profits	64	47	81	116	126

RATIOS	78/79	79/80Q1	79/80E	80/81E	81/82E
BVPS	111.41	109.13	107.68	118.04	129.27
EPS	11.65	8.24	7.22	10.36	11.23
Int. Cov. Ratio (in times)	1.59	2.80	-	-	-

## VALUATION / PRICING

As per P/E	467.91
As per P/B	326.69

9.6MW HEP operating commercially since Ashad 2077. The company plans to pay off a chunk of the loans through IPO proceeds. So, Profitability depends on efficiency in electricity production and cost control. Dividend anticipated on FY 79/80, but hardly any Bonus/Right in 3-year windows.

## Snapshots...

**About the Issue:** Out of the offered 54,88,000 units, 4,36,800 units (8%) for the Nepalese employed abroad, 11,20,000 units (20%) for project affected locals, 2,18,400 units (4%) for mutual funds, 1,31,040 units (2%) for employee and remaining 35,81,760 units are available for General Public.

**About the Company:** Incorporated as Private Ltd. on 2072/08/17; converted to Public Ltd. on 2077/11/18; registered office at Anamnagar, Kathmandu. The company is the subsidiary of NGPL which holds it's 61% stake. Chairman: Dr. Bhogendra Kumar Guragain. Directors: Shailendra Guragain Bhushan Guragain, Rabin Subedi, Rilli Gurung, Shrijesh Guragain and Independent Director: Jamuna Paudel.

**Dividend and Capital Plan:** Projected reports indicate that there will be no capital increment via bonus or right shares within the upcoming three-year window. Additionally, Cash dividend of ~Rs 5 per share is anticipated on F.Y. 79/80.

**Rationale of Credit Rating:** ICRA Nepal Ltd. assigns (ICRAN-IR) BBB-rating which indicates moderate degree of safety regarding timely servicing of financial obligations. Rationale put are- strengths such as improvement in hydrological profile, Reduction in borrowing cost, Tariff escalations, Experienced promoters/key management team and weaknesses such as high hydrology risk due to lack of deemed generation clause in PPA and low offtake risks despite the provision of 10% reserve margin clause in the PPA.

**Utilization of IPO proceeds:** The company has an outstanding debt of around Rs. 1,246 Mill, and intends to utilize Rs. 549 Mill from its IPO proceeds to partially pay off this 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 profitable state. The company supplied ~ 92% of contracted energy within the 10 months of 2078/79. Moreover, the company envisages to pay out ~44% of loan from IPO proceeds; this declines the D/E equity ratio from 2.09 times in 79/80Q1 to 0.05 times in 81/82E. The crucial determinant of profitability for the company is stable energy generation and cost control. Thus, as per forecasted figures, debt and interest payment outlook remains healthy on the condition of better generation capability.

**Risk Factors:** Provision of 10% reserve margin clause in PPA allowing NEA to reduce the generation up to 10% can lead to potential revenue reduction if generation exceeds 90% as NEA is not bound to pay any compensation. And, high hydrology risk due to reliance on a rain-fed perennial source of river

**Pricing & Assumptions:** Our comparatives with similar HEP installed capacity finds that the peer stocks are currently trading at approx. 2.90 times their BVPS and 51.35 times their EPS. Thus, we determine the pricing of Sagarmatha Jalabidhyut Company Limited scrip to be Rs. 326.69 and 467.91 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 111.41 – Rs334.23