

Panchthar Power Company Limited: Ratings downgraded to [ICRANP] LD/D

September 11, 2023

Summary of rating action:

Instrument (limit in NPR million)	Last rated limit	Current rated limit*	Rating Action
Long-term loan limits	1,175.18	990	[ICRANP] LD; downgraded from [ICRANP] LBBB-
short-term loan limits	124.82	109	[ICRANP] D; downgraded from [ICRANP] A3
Total	1,300.00	1,099	

* Based on publicly available provisional data for FY2023

Rating action

ICRA Nepal has downgraded the long-term rating of Panchthar Power Company Limited (PPCL or the company) to [ICRANP] LD (pronounced ICRA NP L D) from [ICRANP] LBBB- (pronounced ICRA NP L Triple B minus) assigned earlier to its long-term loans. ICRA Nepal has also downgraded its short-term rating to [ICRANP] D (pronounced ICRA NP D) from [ICRANP] A3 (pronounced ICRA NP A Three) assigned earlier to its short-term loans.

Rationale

The rating action has been taken factoring the delays in servicing of debt obligations by PPCL. As reported, there has been a delay in servicing its principal obligations for a period of over 30 days for the quarter ending FY2023. The delay has occurred due to the disruptions in its project's cashflows following the project's downtime after the flood in mid-June 2023. Accordingly, the rating action has been taken based on ICRA Nepal's [Default Recognition Policy](#). Going forward, a track record of timely debt servicing will be the key rating sensitivity.

In the absence of requisite information and in line with the aforesaid policy of ICRA Nepal, a rating view has been taken based on the best available information.

Link to the previous rating rationale

[Panchthar Power Company Limited Fresh Bank Loan Rating September 2022](#)

Analytical approach: For arriving at the ratings, ICRA Nepal has applied its rating methodology as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company

Incorporated on November 3, 2008, as a private limited company, PPCL was converted into a public limited company on August 9, 2016, to facilitate public participation. As at mid-July 2021, the company's paid-up capital was ~NPR 962 million and was primarily held by M/s UB Investment Company Ltd. (~18%), M/s Access Investment Company Ltd. (~16%) and M/s Mega Venture Private Limited (~12%). The company has been listed in the Nepal Stock Exchange since May 3, 2019.

The company is operating a 14.90-MW Hewa Khola 'A' Hydropower Project (HKHP-A) in Panchthar district, Province No. 1 of Nepal since February 7, 2017. The project was developed at the total cost of NPR. 2,608 million (i.e., ~NPR. 175 million per MW) and was financed in the debt equity ratio of ~70:30. The project is a run-of-river (R-o-R) type, which has been developed at 40% probability of exceedance (Q40) with a design discharge of 8.12 m³/s, a gross head of 221.52 m and a

catchment area of ~208 km². The PPA for the project has been entered under four months of dry energy and eight months of wet energy modality, with a net-contract PLF of 63%, annual saleable energy of ~82 GWh and a dry-energy mix of ~16%

Key Financial Indicators

Indicators	FY2020	FY2021	FY2022	FY2023#
	(Audited)	(Audited)	(Provisional)	(Provisional)
Operating Income (OI; NPR million)	399	319	403	326
OPBDITA/OI (%)	92%	89%	91%	80%
Total debt/Tangible net worth (TNW; times)	1.89	1.54	1.12	1.03
Total outside liabilities/ TNW (times)	2.03	1.57	1.15	1.08
Total debt/ OPBDITA (times)	4.22	4.99	3.29	3.86
Interest Coverage (times)	1.95	2.22	3.23	2.14
DSCR (times)	1.18	1.12	1.21	0.78
Net working capital (NWC)/OI	22%	19%	20%	13%
Current Ratio	0.7	0.4	0.5	0.3

#based on publicly available information

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About ICRA Nepal Limited

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Our parent company, ICRA Limited, was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies.

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