

Maya Khola Hydropower Company Limited: Ratings downgraded to [ICRANP-IR] D and [ICRANP] LD/D

February 26, 2024

Summary of rating action

Instrument/Facility	Rated Amount (NPR Million)	Rating Action
Issuer Rating	NA	[ICRANP-IR] D ; downgraded from [ICRANP-IR] B-
Long-term loans	2,000	[ICRANP] LD ; downgraded from [ICRANP] LB-
Short-term loans	75	[ICRANP] D ; downgraded from [ICRANP] A4
Total	2,075	

Rating action

ICRA Nepal has downgraded the issuer rating of Maya Khola Hydropower Company Limited (MKHCL/the company) to [ICRANP-IR] D (pronounced ICRA NP issuer rating D) from [ICRANP-IR] B- (pronounced ICRA NP Issuer Rating B minus). ICRA Nepal has also downgraded the company's long-term loan rating to [ICRANP] LD (pronounced ICRA NP L D) from [ICRANP] LB- (pronounced ICRA NP L B minus). Further, ICRA Nepal has also downgraded the company's short-term loan rating to [ICRANP] D (pronounced ICRA NP D) from [ICRANP] A4 (pronounced ICRA NP A four). The rating action has been taken in accordance with the [Default Recognition Policy](#) of ICRA Nepal.

Rationale

The ratings downgrade factors in the delays in servicing of debt obligations by MKHCL. As earlier reported, there had been a delay in debt servicing by the company, which was within 30 days, during last review. However, this has now exceeded the 30-day mark, as against the management's target/commitment to regularise the same within 30 days. The delays were mainly due to the closure of its 14.9 MW Maya Khola hydro power project after around three months of its commercial operation date (July 07, 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.

Links to the previous detailed rating rationales:

[Rationale – Maya Khola Hydropower Company Limited – August 2022](#)

[Rationale- Maya Khola Hydropower Company Limited- Update on start of delays in debt servicing-Feb 2024](#)

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

Links to the applicable criteria:

[Issuer Rating Methodology](#)

[Corporate Credit Rating Methodology](#)

About the company

Incorporated in May 2010 and converted into a public limited company in December 2016, Maya Khola Hydropower Company Limited (MKHCL) is operating a 14.9 MW Maya Khola HEP in the Sankhuwasabha district, Koshi Province of Nepal since July 07, 2023. The project is a run of the river (R-o-R) type and has been developed at 40% probability of exceedance (Q40). The project is one of the Super-Six projects, which was initially studied by Department of Electricity Development, Nepal (DoED).

The company's total equity as on mid-August 2022 (when last rated), was ~NPR 660 million which was 100% promoter held. The major promoter as on same date included M/s Pashupati Energy Development Company holding ~21.5%, Prabhu Insurance Co. Ltd. holding ~7% [Prabhu Group aggregately held ~9% stake via Prabhu Insurance Co. Ltd. and

Prabhu Capital], Mr. Devi Prakash Bhattachan holding 5%, Mr. Dileep Agrawal holding 4.5%, Mr. Dinanath Dahal 3.5% with other 157 shareholders holding ~59% of the stake.

Key financial indicators (based on published financial highlights)

Particulars (Amount in NPR million)	Q1FY2024 (Provisional)
Operating income (OI)	57
OPBDITA/OI (%)	84.2%
Total debt/Tangible net worth (TNW; times)	2.59
Total outside liabilities/TNW (times)	2.84
Total debt/OPBDITA (times)	11.87
Interest coverage (times)	0.70
DSCR (times)*	0.71
Net working capital/OI (%)	7.6%

* Due to lack of detailed information regarding the current and non-current portion of long-term debt obligations, DSCR remains similar to Interest coverage.

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About ICRA Nepal Limited

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