

Kabeli Hydropower Company Limited: Ratings downgraded and moved to ‘Issuer not cooperating’ category with notice of ratings withdrawal

March 04, 2024

Summary of rating action

Instrument	Rated Amount (NPR million)	Rating Action
Long-term loan limits	3,213	[ICRANP] LB+ “ISSUER NOT COOPERATING**”; downgraded from [ICRANP] LBB- and moved to ‘Issuer not cooperating’ category, with notice of withdrawal
Short-term loan limits	(1,664)	[ICRANP] A4 “ISSUER NOT COOPERATING**”; revised from [ICRANP] A4 and moved to ‘Issuer not cooperating’ category with notice of withdrawal
Total	3,213	

Rating action

ICRA Nepal has downgraded and revised the long-term loan rating assigned to Kabeli Hydropower Company Limited (KHCL) to [ICRANP] LB+ ‘Issuer not Cooperating’ (pronounced ICRA NP L B Plus, Issuer Not Cooperating) from [ICRANP] LBB- (pronounced ICRA NP L double B minus). ICRA Nepal has also revised the company’s short-term loan rating to [ICRANP] A4 ‘Issuer Not Cooperating’ (pronounced ICRA NP A four Issuer Not Cooperating) from [ICRANP] A4 (pronounced ICRA NP A four). The rating action has been taken in accordance with the Credit Rating Regulations 2011, following the non-cooperation from KHCL for rating information despite multiple follow-ups. The ratings have also been put on notice for withdrawal.

Rationale

The ratings downgrade/revision mainly factors in the uncertainties regarding the company’s project progress and its financial profile, amid the lack of any information and hence the uncertainty around its credit risk. These concerns are further heightened by the general trend of time and cost overrun as seen in most hydropower projects (~6% financial progress during last rating), which could have an impact on the company’s financial profile vis-à-vis the previous estimates. However, in lack of any information from KHCL, the extent of the impact on its financial profile and debt coverage indicators cannot be ascertained.

ICRA Nepal assesses whether the information available about the entity is commensurate with its rating and reviews the same as per Credit Rating Regulations 2011 as well as ICRA Nepal’s ‘Withdrawal/Suspension Policy’ available at www.icranepal.com. For such ratings, the lenders, investors, and other market participants are thus advised to exercise appropriate caution while using the rating as it may not adequately reflect the credit risk profile of the entity. The entity’s credit risk profile may have changed to a level greater than that represented by the ratings symbol.

As part of its process and in accordance with its rating agreement with KHCL, ICRA Nepal has been trying to seek information from the entity to monitor its performance, but despite repeated requests by ICRA Nepal, the entity’s management has remained non-cooperative. In the absence of requisite information and in line with the aforesaid policy of ICRA Nepal, a rating view has been taken on the entity based on the best available information.

Link to the previous rating rationale:

[Rationale Kabeli Hydropower Company Limited Fresh BLR August 2022](#)

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

Links to the applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company

Incorporated in May 2017, Kabeli Hydropower Company Limited (KHCL) is developing a 21.93-MW Kabeli-3 Hydroelectric Project in Taplejung district of Koshi Province of Nepal. The run-of-the-river (R-o-R) type project is being developed at ~47% probability of exceedance (Q47). When last rated, the budgeted cost of the project was ~NPR 4,285 million, which was then planned to be funded in a debt-to-equity ratio of ~75:25.

As available during the last rating, the paid-up capital of the company was ~NPR 282 million as of mid-July 2022, which was 100% promoter held. As on the same date, the major promoters were Mr. Rajesh Khadka (28%), Mr. Mohan Bikram Karki (20%), M/s. Dazaney Investment Company Private Limited (21%), Mr. Gopal Krishna Shrestha (18%) and Mr. Bijaya Sambahamphe (12%).

Analyst Contacts

Mr. Sailesh Subedi (Tel No. +977-1-4519910/20)

sailesh@icranepal.com

Mr. Rajib Maharjan (Tel No. +977-1-4519910/20)

rajib@icranepal.com

Mr. Sujan Maharjan (Tel No. +977-1-4519910/20)

sujan.maharjan@icranepal.com

Relationship Contacts

Ms. Barsha Shrestha (Tel No. +977-1-4519910/20)

barsha@icranepal.com

About ICRA Nepal Limited

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For more information, visit www.icranepal.com

ICRA Nepal Limited,

Sunrise Bizz Park, 6th Floor, Dillibazar, Kathmandu, Nepal.

Phone: +977-1-4519910/20

Email: info@icranepal.com

Web: www.icranepal.com

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