

Kutheli Bukhari Small Hydropower Limited: Rating downgraded and moved to ‘Issuer Not Cooperating’ category with notice for rating withdrawal

June 03, 2024

Summary of rating action

Facility	Rated Amount (NPR million)	Rating Action
Issuer Rating	NA	[ICRANP-IR] BB+ “ISSUER NOT COOPERATING*”; downgraded from [ICRANP-IR] BBB- and moved to ‘Issuer not cooperating’ category with notice of rating withdrawal
Total	NA	

**Issuer did not cooperate; based on best available information.*

Rating action

ICRA Nepal has downgraded the issuer rating of Kutheli Bukhari Small Hydropower Limited (KBSHL) to [ICRANP-IR] BB+ (pronounced ICRA NP IR double B plus) from [ICRANP-IR] BBB- (pronounced ICRA NP IR triple B minus). The rating action has been taken in accordance with the Credit Rating Regulations 2011, following limited cooperation from KBSHL for rating information, despite multiple follow-ups. The rating has also been placed on notice for withdrawal.

Rationale

The rating downgrade mainly factors in the lack of detailed information regarding the company’s operational and financial profile and hence the uncertainty around its credit risk. In the backdrop of the ballooning repayment schedule of the company, lower revenues and margins during FY2023 and 9MFY2024 (as per published highlights) vis-à-vis earlier estimates, have weakened the company’s coverage ratios (DSCR either borderline or slightly less than 1 times). Given the lack of cooperation from the management, the exact extent of the impact on future performance cannot be ascertained.

ICRA Nepal assesses whether the information available about the entity is commensurate with its ratings and reviews the same as per Credit Rating Regulations 2011 as well as ICRA Nepal’s ‘Withdrawal/Suspension Policy’ available at www.icranepal.com. As a part of its process and in accordance with its rating agreement with KBSHL, ICRA Nepal has been trying to seek complete/ comprehensive information from the entity to monitor its performance, but despite repeated requests by ICRA Nepal, the entity’s management remained mostly non-cooperative till the extended deadline for surveillance. In the absence of the requested 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.

For such ratings, the lenders, investors, and other market participants are advised to exercise appropriate caution while using the ratings 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 rating symbol.

Link to the previous detailed rating rationale:

[Rationale Kutheli Bukhari Small Hydropower Limited Issuer Rating Surveillance Nov-2022](#)

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

Links to the applicable criteria:
[Issuer Rating Methodology](#)
[Issuer Not Cooperating Guidelines](#)
About the company

Incorporated on August 11, 2011, Kutheli Bukhari Small Hydropower Limited (KBSHL) had paid-up capital of NPR 122 million, while the total net-worth was ~NPR 196 million as of mid-April 2024. The company is operating a 0.998MW Suspa Bukhari Khola Small hydropower project in Janakpur district, Madesh Province of Nepal. The project is a run of the river (R-o-R) type and has been developed at 40% probability of exceedance (Q40). The project started its commercial operation from September 20, 2015 and was developed at the total cost of ~NPR 248 million. Mr. Santosh Prasad Mainali is the chairman of the company.

Key Financial Indicators

	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Audited)	FY2023 (Audited)	9M-FY2024 (Provisional)
	<i>(Available during last rating exercise)</i>			<i>(Updated for current exercise)</i>		
Operating Income (OI; NPR Million)	30.6	35.9	33.9	37.1	32.7	28.9
OPBDITA/OI (%)	79%	84%	67%	79%	66%	68%
Profit after taxes (NPR Million)	9	16	12	19	10	14
Total debt/Tangible net worth (TNW)	1.1	0.9	0.8	0.6	0.4	0.2
Total outside liabilities/ TNW (times)	1.1	1.0	0.8	0.6	0.4	0.2
Total debt/OPBDITA (times)	5.3	3.9	4.6	3.1	3.3	2.3
Interest coverage (times)	1.9	2.4	2.4	3.5	2.3	4.1
DSCR (times)	1.1	1.3	1.2	1.4	0.9	1.0

*Updates of FY2022, FY2023 and 9M-FY2024 are extracted from published highlights.

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About ICRA Nepal Limited:

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