Unitech Hydropower Company Limited: Issuer rating and long-term rating upgraded; short-term rating reaffirmed

October 15, 2026

Summary of rating action

Instruments (Amounts in NPR Million)	Previous Rated Amount	Current Rated Amount	Rating Action
Issuer Rating	NA	NA	[ICRANP-IR] B+; upgraded from [ICRANP-IR] B-
Long-term loan limits	942.0	827.7	[ICRANP] LB+; upgraded from [ICRANP] LB-
Short-term loan limits	23.0	35.0	[ICRANP] A4; reaffirmed
Total	**965.0**	**862.7**	

Rating action

ICRA Nepal has upgraded the issuer rating of Unitech Hydropower Company Limited (UHCL/the company) to [ICRANP-IR] B+ (pronounced ICRA NP Issuer Rating B Plus) from [ICRANP-IR] B- (pronounced ICRA NP Issuer Rating B Minus). Issuers with this rating are considered to have a high risk of default regarding timely servicing of financial obligations. The sign of + (plus) or – (minus) appended to the rating symbol indicates their relative position within the rating categories concerned. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any debt instrument.

ICRA Nepal has also upgraded the company's long-term loan rating to [ICRANP] LB+ (pronounced ICRA NP L B Plus) from [ICRANP] LB- (pronounced ICRA NP L B Minus), while reaffirming its short-term loan rating at [ICRANP] A4 (pronounced ICRA NP A Four).

Rationale

The rating actions mainly factor in the satisfactory energy generation from the company's 5.8-MW Upper Phawa khola hydropower project (UPKHPP) generation (~87% of its contracted energy (CE) during FY2026; first full year of operation without major operational disturbances[1]). ICRA Nepal also takes note of the project's improving generation as seen so far for FY2027 (~87% generation in 2M-FY2027 vis-à-vis ~72% during corresponding 2M-FY2026) and expects the generation to hover around 85% over a longer horizon. Any major deviation on this (out of the project's own hydrology and/or low dispatch instruction by the load dispatch centre, LDC), adversity in interest rates environment than current times and delays in initial public offering (IPO)[2] realization (planned for loan downsizing) remains among key rating monitorable. Further, the ratings also positively factor in the equity infusion by the promoters, used in regularizing the delays in debt obligations during the flood impacted period, funding the project reparations and downsizing the debt levels through prepayments (~8% of loan outstanding as of mid-July 2025) leading to improved capitalization profile. The ratings continue to draw comfort from the presence of a long-term power purchase agreement (PPA) at predetermined tariffs and escalations (eligible for seven escalations out of eight), which eliminates the project's tariff and offtake risks.

Nonetheless, the ratings remain constrained by the project's relatively higher cost of ~NPR 295 million per MW (NPR 51.8 million per GWh) as of mid-July 2026 and its late commissioning (COD of April 20, 2024 as against RCOD of July 30, 2023) resulting to late COD penalty, one tariff escalation loss and project's reduced economic life. These remain a long-term rating challenge for the project's financial metrics under the fixed tariff and escalation regime. ICRA Nepal also takes note of the project's inability to meet minimum 30% dry-energy mix of the overall supplied energy for FY2026 which resulted in short

[1] Even though the COD was April 20, 2024, the project was damaged by the flood of September 27-28, 2024 that halted the project's operation till mid-February 2025. As such, the project could only generate ~56% of its annual contract energy in FY2025.

[2] UHCL proposes to come out with a total IPO proceed of ~NPR 197 million at par, which is preliminary approved by the Electricity Regulatory Authority (ERC) on August 20, 2026, and the sum is to be used to prepay the project term loans

supply penalty. As such, its ability to supply such remains crucial for its incremental financial profile and thus, also remains monitorable. ICRA Nepal also takes note of the inherent hydrology risks (monsoon variations and climatic changes) and geological risks that can impact its operational profile. To reduce impacts out of such exigencies, its ability to ensure adequate insurance coverages and the promoters' support remain crucial given the company's dependency on this single project for cash flows.

Going forward, the company's ability to operate the project closer to the designed operating parameters, sustain the improving energy generation trend, maintain adequate debt servicing metrics, timely raise equity through proposed IPO, will remain the key rating sensitivities.

Key rating drivers

Credit strengths

Satisfactory energy generation trend and equity infusion aided the financial profile – The company's 5.8-MW project reported satisfactory energy generation of ~87% of its contracted energy during FY2026; further in the ongoing fiscal year the project generated ~87% energy output during 2M-FY2027 as against ~72% during same period in FY2026, which also remains a positive. However, its operational performance across the longer horizon remains to be seen given its limited traction (COD since April 20, 2024) with FY2026 as the first full operational year without any major operational disturbance. ICRA Nepal also positively takes note of the equity raised in the last two years till mid-July 2026 which aided in reducing the debt level (~8% of term loan outstanding as of mid-July 2025 prepaid during FY2026), project reparations and regularization of erstwhile defaulted debt obligations. Going forward, the company's ability to sustain the improving generation trend and report adequate debt servicing indicators will remain monitorable.

Low tariff and offtake risks; low evacuation risk – The project's tariff and offtake risks remain low as the company has a 30-year-PPA with Nepal Electricity Authority (NEA) for its entire generation capacity. The pre-defined tariffs are NPR 4.8 per kWh for the wet season (June to November) and NPR 8.4 per kWh for the dry season (December to May) with 3% annual escalation on the base tariff for up to eight times. However, given the delay in project commissioning by around nine months, only seven tariff escalations are available to the company. ICRA Nepal also notes the project's low evacuation risk given the presence of operational evacuation structures viz. Kabeli (Amarpur) substation in Illam District. However, dispatch instructions from the LDC in the wet season given the overload in the existent Amarpur to Duhabi transmission lines in the Kabeli corridor remain a concern for its operational profile in the wet season. To resolve the issue, NEA has been undertaking the completion of 132kV Amarpur s/s to Dhungesanghu s/s transmission line in the Koshi corridor *(expected completion by FY2027 as per NEA's report; as of July 2026, 60 of 67 tower foundations and 29 tower erections have been completed; stringing works yet to start)* and as such, the completion of the same remains crucial in offsetting such constraints.

Credit challenges

High project development cost and one tariff escalation loss among long-term rating negatives – UHCL's project cost remains on a relatively higher side at NPR 295 million per MW as on mid-July 2026 (increased from ~NPR 271 million per MW owing to capitalization of reparations cost). The project's high cost coupled with late COD penalty, one tariff escalation loss and reduced the project's economic life (by virtue of validity of generation license till September 04, 2053) given its late commissioning remains a long-term rating negative under the fixed tariff and escalation regime that does not compensate for such higher project development cost.

Climatic/geological risks – The project, being a run-of-river type, is dependent on various factors including climatic conditions/monsoon variations for its hydrology. Any major fluctuations in hydrology could continue the company in paying the stringent ~30% minimum dry-energy short-supply penalty, given its borderline dry-energy mix of ~30%. As such, its generational profile in both the dry and wet seasons remains monitorable. Similarly, the hydropower projects are typically exposed to geological risks given their location in difficult terrains, and occurrence of any major natural calamities may lead to project's disruption impacting its operational and financial parameters, as seen in recent past. As such, its ability to ensure adequate insurance coverage remains crucial in minimizing the impacts out of such risks. Besides, ICRA Nepal also notes the provision of ~10% reserve margin clause in the PPA for its five months (mid-June to mid-November) wet season energy in a

financial year implying NEA could offtake only 90% of such energy without any compensation. This could impact UHCL's revenue, if such a scenario prevails/elongates for a long-term.

Interest rate volatility risk and liquidity risks– Given the sizeable debt mix of ~52% as at mid-July 2026, the company is exposed to volatility in interest rates, and thus its liquidity profile. Any adversity from the current lower interest rate regime remains also remains monitorable. Similarly, low on balance liquidity during the initial years of operations, and single project dependency for cash flows further increases the risk of liquidity shocks in case of unexpected hydrological variations/ natural calamities. During such exigencies, promoters' support till the project stabilization remains crucial for the company's liquidity profile.

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

Link to the last rating rationale:
Rationale Unitech Hydropower Company Limited IR and BLR Surveillance September 2025

About the company

Incorporated on September 26, 2014, as a private limited company and converted to public limited company on January 20, 2023, Unitech Hydropower Company Limited (UHCL) is operating a 5.8-MW Upper Phawa Khola Hydroelectric Project on the Phawa River in Taplejung district of Koshi Province of Nepal since April 20, 2024. The project's development cost was ~NPR 1,713 million (~NPR 295 million per MW or NPR 51.8 million per GWh) as of mid-July 2026, funded at a debt-to-equity ratio of ~52:48. As of same date, UHCL's paid-up capital was ~NPR 802 million (including share premium) and its major promoters were Asian Life Insurance Company Limited (~15%), Nepal Impact Fund – 01 (~6%), among others. Mr. Anoj Khadka is the company's chairman. The company is planning to come up with an initial public offering (IPO) in near future.

Key Financial Indicators

	~3M-FY2024# (Audited)	FY2025 (Audited)	FY2026 (Provisional)
Operating income-OI (revenues in NPR million)	23	97*	162
OPBITDA/OI (%)	89.2%	77.3%	84.7%
Total debt/Tangible net-worth-TNW (times)	1.5	1.4	1.0
Total outside liabilities/ TNW (times)	1.8	1.4	1.1
Total debt/OPBITDA (times)	5.6	12.9	6.1
Interest coverage (times)	1.4	1.3	2.0
DSCR (times)	1.1	0.7	1.0
Net working capital (NWC)/OI (%)	-31%	4%	24%
Current Ratio	0.3	0.4	0.8

**Lower due to project closure for ~5 months due to September, 2024 flood.*

Analyst Contacts

Mr. Purushottam Sedhai (Tel No. +977-1-4519910/20)
purushottam@icranepal.com

Ms. Kushum Bhattarai (Tel No. +977-1-4519910/20)
kushum@icranepal.com

Mr. Bigyan Bhattarai (Tel No. +977-1-4519910/20)
bigyan.bhattarai@icranepal.com

Relationship Contacts

Ms. Barsha Shrestha (Tel No. +977-1-4519910/20)
barsha@icranepal.com

About ICRA Nepal Limited

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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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