

Barun Hydropower Company Limited

Rating

Facilities	Amount (Rs. Million)	Rating ¹	Rating Action
Issuer Rating	NA	CARE-NP BB+ (Is) [Double B Plus (Issuer)] (Credit Watch with Negative Implications)	Placed on Credit Watch with Negative Implications

* The issuer rating is subject to overall gearing ratio of the company not exceeding 0.5x at the end of FY23 (FY refers to the twelve-month period ending mid-July).

CARE Ratings Nepal Limited (CRNL) has placed the issuer rating of 'CARE-NP BB+ (Is)' of Barun Hydropower Company Limited (BHCL) on credit watch with negative implications.

Detailed Rationale & Key Rating Drivers

The issuer rating assigned to BHCL has been placed on credit watch with negative implications factoring significant damages to the intake and powerhouse of BHCL's 4.5 MW operational Hewa Khola Small Hydropower Project (HKHP) due to massive flood that occurred on June 17, 2023. Consequently, the project has been non-operational since and the timelines regarding possible resumption of operations and full assessment of damages including coverage from insurance are yet to be ascertained. The company has insurance coverage for both property and loss of profit. The company's ability to timely and adequately secure the funds to repair the plant, service debt obligations, and re-operate the project will remain critical from credit perspective. CRNL will resolve the rating watch once clarity emerges on the extent and scope of impact on BHCL of the above event.

About the company

BHCL is a public limited company, incorporated in January 20, 2004 as a private limited company and later converted to public limited company in July 15, 2009. It is promoted by individual promoters having long experience in the hydropower and other sectors for setting up Hydroelectric Project (HEP) in Nepal. The company was listed with Nepal Stock Exchange (NEPSE) in October 2015. BHCL is involved in the operation of 4.5 MW run-of-the-river Hewa Khola Small Hydropower Project (HKHP) in Shankuwasava District, Nepal which has been in commercial operation since August 6, 2011. The power project utilizes available head and flow from Hewa Khola (river) with catchment area of 81.03 km² and 4.5 m³/s design discharge at 41% exceedance flow.

Brief financial performance of BHCL during last 3 years is given below:

Particulars	(Rs. In Million)		
	FY21 (A)	FY22 (A)	FY23 (UA)
Income from Operations	60	94	80
PBILDT Margin (%)	71.82	68.91	64.39
Overall Gearing (times)	0.82	0.68	0.25
Interest coverage (times)	2.02	3.63	1.61
Total Debt / Gross Cash Accruals (times)	10.45	7.86	4.62

A: Audited, UA: Unaudited

¹Complete definition of the ratings assigned are available at www.careratingsnepal.com and other CARE publications

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