

Menchhiyam Hydropower Limited

Rating

Facilities#	Amount (Rs. in Million)	Ratings ¹	Rating Action
Issuer Rating*	NA	CARE-NP BB (Is) (Credit Watch with Negative Implications)	Placed on Credit Watch with Negative Implications
Long Term Bank Facilities	840.30	CARE-NP BB (Credit Watch with Negative Implications)	Placed on Credit Watch with Negative Implications
Total Bank Facilities	840.30 (Eight Hundred Forty Million and Three Hundred Thousand only)		

**The issuer rating is subject to overall gearing of the company not exceeding 2.25x at the end of FY23 (FY refers to the twelve-month period ending mid-July).*

#Details of facilities in Annexure-1.

CARE Ratings Nepal Limited (CRNL) has placed the rating of 'CARE-NP BB' assigned to the long-term bank facilities of Menchhiyam Hydropower Limited (MCHL) on credit watch with negative implications. CRNL has also placed the issuer rating of 'CARE-NP BB (Is)' assigned to MCHL on credit watch with negative implications. Issuers with this rating are considered to offer moderate risk of default regarding timely servicing of financial obligations, in Nepal.

Detailed Rationale & Key Rating Drivers

The ratings assigned to MCHL have been placed on credit watch with negative implications factoring significant damages to MCHL's 4.72 MW operational Upper Piluwa Khola-II Small Hydropower Project (UPKHP) due to massive flood that occurred on June 17, 2023. As a result of the flood, the project's major infrastructures including power house, headworks, transformer, turbine, generator, control panel etc. have been majorly damaged. 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 only for plant and machinery. Not having insurance coverage for loss of profits could put additional financial burden on the company to meet its scheduled debt repayments. The company is in process of revising its debt repayment schedule in light of the force majeure. The company's ability to timely and adequately secure the funds to repair the plant, reach a favourable revision in debt repayment schedule with the lenders, 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 MCHL of the above event.

About the Company

Menchhiyam Hydropower Limited (MCHL) is a public limited company, incorporated on November 08, 2017 as a Private Limited company, which was then converted into public company on July 15, 2021. The company is involved in setting up of a 4.72 MW run-of-river, Upper Piluwa Khola-II Small Hydropower Project (UPKHP) in Sankhuwasabha district of Nepal and has been in commercial operation since February 2023. The company was listed with Nepal Stock Exchange (NEPSE) in April 2023. The project is constructed under BOOT (Build, own, Operate and Transfer) mechanism.

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com and in other CRNL publications.

Financial Performance

(Rs. Million)

For the year ended mid-July	FY23 (UA)
Income from Operations	13.97
PBILDT Margin (%)	4.72
Overall Gearing (times)	2.13
Interest Coverage (times)	0.02
Total Debt/Gross Cash Accruals (times)	Negative

A: Audited

Annexure 1: Details of the Facilities rated

Nature of the Facilities	Type of facilities	Amount (Rs. in Mn)	Rating
Long Term Bank Facilities	Term Loan	840.30	CARE-NP BB (Credit watch with Negative Implications)
Total Facilities		840.30	

Contact us

Analyst contact

Ms. Poonam Agarwal

+977-01-4012630

poonamagarwal@careratingsnepal.com

Mr. Santosh Pudasaini

+977-01-4012628

pudasaini.santosh@careratingsnepal.com

Relationship Contact

Mr. Achin Nirwani

+977-9818832909

achin.nirwani@careratingsnepal.com

About CARE Ratings:

CARE Ratings Nepal Limited (CRNL) is licensed by the Securities Board of Nepal w.e.f. November 16, 2017. CRNL is supported by CARE Ratings Limited through a technical services agreement to provide technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings on an ongoing basis. The technical support shall ensure that CRNL has adequate resources to provide high quality credit opinions in Nepal.

Our parent company, CARE Ratings Limited commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI).

Disclaimer

CRNL's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRNL has based its ratings on information obtained from sources believed by it to be accurate and reliable. CRNL does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRNL have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.