

# **ICRA Nepal assigns IPO Grade 5 to proposed IPO of Unique Hydel Company**

ICRA Nepal has assigned “[ICRANP] IPO Grade 5” to the proposed IPO of indicating poor fundamentals. Unique Hydel Company Limited is proposing to issue Initial Public Offering of 2,200,000 unit’s shares to be floated at a par value of Rs 100 per share.

Of the total shares, 550,000 will be issued to residents of project-affected area (Sindhupalchowk district) while remaining 1,650,000 shares will be issued to the general public, mutual funds and the company’s staffs.

As per ICRA Nepal, the grading takes into account the poor return potential from the 4,158 KW Baramchi hydroelectric project (HEP) developed by UHCL given its weak operational performance, high project costs (~NPR 216 million per MW), and also over capitalization (through injection of equity through IPO). The project is also exposed to counterparty credit risks arising out of exposure to loss-making Nepal Electricity Authority (NEA) for the energy supplied, although the same is partly mitigated by the fact that NEA is fully owned by the Government and has been making timely payments to UHCL so far.

Baramchi HEP was initially developed as a 980 kW project which was later upgraded to 4,158 kW based on 40% exceedance flow model. The initial installed capacity of the project was 1 MW which was upgraded to 4.2 MW installed capacity in 2067. The project is owned by Unique Hydel.

ICRA Nepal assigns IPO grading on a scale of IPO Grade 1 through IPO Grade 5, with Grade 1 indicating strong fundamentals and Grade 5 indicating poor fundamentals.