

# GLOBAL IME CAPITAL

## Investment Memorandum

INITIAL PUBLIC OFFERING

REPORT DATE: 2075/10/24

Universal Power Company Limited

SECTOR: HYDROPOWER

Listing Range: 99-297

### Overview of the Company

Universal Power Company Limited was established in 2056/10/17. To increase the public participation, the company was converted into public limited in 2067/12/16. The project construction started in the 2069 B.S. The Company has only one project with capacity of 11 M.W. Per Mega Watt cost of the project is approximately NRs. 18.60 crore. The Payback period of the project is 7.90 Years and Discounted PBP stands at 14.58 years.

### Projects

The company is currently operating one project:

#### Tallo Khare Khola Hydropower Project

The company has only one project with the capacity of 11 Megawatts. The construction of the project started from 2069 B.S. The total cost of the project as per estimate stands at 204 Crore NPR. The average energy production amounts to 62,731,751 KWH. The project for operation is licensed till 2104 B.S, which is till 29 years. The payback period of the project is 7.90 Years and discounted PBP is around 14.58 years. The expected commercial date of operation is Shrawan 2076 B.S. As per data stated in prospectus based on Ashad end, 2075, 41% of project was completed. As of writing this memorandum, with confirmation by the company, 70% of the project has been completed.

Issue Details	
Issue Size	93,27,410
Price per Share (NPR.)	100
Issue Open Date	8 <sup>th</sup> Feb-2019
Issue Close Date	11 <sup>th</sup> Feb-2019
Issue to Staff	1,86,548
Issue to Mutual Funds (Allocated)	4,66,370
Issue to General Public	86,74,492
Issue Manager	Siddhartha Capital Limited
Collection Centers	CASBA Register FI and Meroshare Application
Min. Application	50
Max. Application	50,00,000
ICRA Rating	[ICRANP] IPO Grade 4

#### Details of Tallo Khare Khola Hydropower Project

Type of Project:	Run of River
Location:	Dolakha District
Status:	Under Construction
Installed Capacity:	11 M.W
Commercial Operation Date:	2076/04/03

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### **Purpose of IPO Proceeds**

The IPO proceeds will be generally used to pay loans which was taken to finance the project.

### **PPA Status and Rate for Tallo Khare Khola Hydropower Project**

Annually, there is agreed sales of 62,731,751 KWH to Nepal Electricity Authority. Commercial Date of Operation (COD) year is regarded as base year. The agreed sales of units for the wet season is 51,204,551 KWH and agreed for the dry season is 11,527,200 KWH.

PPA rate for the wet season and dry season is Rs.4.80 and Rs.8.40 respectively. The company has also provisioned for extra energy produced and the rates would be 50% of the normal PPA rate.

There can be yearly increment of PPA rate of 3 percent from base year with yearly increment for 5 times only.

### **Board of Directors**

The board of directors of company consists of 8 directors

Promoter Shareholder	Number of Shares in 000'
Radhi Bidhut Company Ltd.	555,926
Mr. Pushpendra Bhattarai	152,165
Mr. Ashok Gautam	330,600
Mr. CEDB Hydro Power Development Ltd	485,000

S.no	Name	Qualification	Current Profile	Experience
1	Mr. Anil Kumar Rungta	MBA	Chairman at CEDB Hydropower Development Ltd and Chairman in other hydropower firms.	25 years of experience in Law, Business and Profession.
2	Mr. Binaya Kumar Bhandhari	M.Sc and B.E	Managing Director at Radhi Bidhut Company.	10 Years of experience in Butwal Power Company. Expert and Consultant for IPPAN and Shangrila Energy Ltd.
3	Mr.Pushpendra Bhattari	I.A	Previous chairman of Universal Power Co Ltd.	Experience at Lavkush Brick Manufacturing Factory.
4	Mr. Ramesh Prasad Nepal	M.E and B.E	Director at various reputed hydropower company. Consultant and expert at various organization	45 years of experience in sectors.
5	Mr. Uttam B. Lama	M.B.S	Director at various Hydropower companies	Experience as director in MFIs, Tourism and Media sector

**Key Person**

S.no	Name	Current position	Education	Experience
1	Mr. Binaya Kumar Bhandhari	Managing Director	M.Sc and B.E	10 Years of experience in Butwal Power Company. Expert and Consultant for IPPAN and Shangrila Energy Ltd.
2	Mr. Anup Thapa	Assistant Manager	M.E	10 Years of Administrative and Technical experience in hydropower sector
3	Mr. Dev Bahadur Shrestha	Accounts Officer	BBS	More than 10 years of experience in accounting and teaching.

Key Financials	Amount in Rs. 000'					
	2072/073	2073/074 <sup>1</sup>	2074/75	2075/76 E	2076/77 E	2077/78 E
Share Capital	1,015,815	1,050,519	1,134,189	2,100,350	2,100,350	2,100,350
Reserve & Surplus <sup>2</sup>	(2,044)	-	(9,761)	(4,466) <sup>#</sup>	1,90,920	4,10,775
Long Term Loan	41,927*	-	3,69,920	1,300,000	3,33,839	3,16,191
Net Income	1,749	-	(9,760)	5,295	1,95,386	2,19,855
Book Value Per Share	99.79	100	99.14	100.83	110.13	120.60
Earnings Per Share	0.17	-	1.01	0.25	9.30	10.46
Return on Equity	0.17%	-	1.01%	0.25%	8.45%	8.29%

\* Capital Advances

<sup>1</sup> Company did not prepare income statement as all expenses were capitalized.

<sup>#</sup>Reserve and Surplus has been adjusted by adding 2074/75 F.Y accumulated loss and forecasted profit of the Year 2075/76 (NRs. -9761+ NRs.5,295), interpreted as: (previous F.Y accumulated loss+ profit of current year) and same method is carry forwarded to estimated years. Whereas in prospectus, Reserve and Surplus has been calculated by adding forecasted profit of the year F.Y 2075/76 with NRs. 12,242, (NRs.12,242+NRs.5,295), interpreted as: (previous F.Y accumulated loss+ profit of current year).

**Valuation of Company**

We have valued the company using the Relative Valuation Approach.

P/B Based Valuation		
Industry PB as on 4 <sup>th</sup> Qtr, 2074/75	Expected BVPS of Company at 2075/76	Value of Shares
1.61	100.83	162
*industry PB is assumed to be same in F.Y 2075/76		

For the relative valuation Price to Book (P/B) multiples is used. Use of P/E multiple was not feasible as the company is in loss in F.Y 74/75. The share price of the company would move around ~160 after F.Y 2075/76.

## Technical Analysis



### Trend

Hydropower sector is in down trend from long term and short term perspective as suggested by 200-day and 20-day moving averages. As of hydropower index is approaching the downward support zone of 1145.

### Momentum Analysis

As indicated by RSI, momentum is stronger on the downside. Currently RSI is hovering around the level of 40.

### Volume Analysis

The volume in hydropower sector has been in a decreasing trend since the last week of January 2019.

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