



## Trishuli Jal Vidhyut Company Limited

### SECTOR: HYDROPOWER

### Overview of the Company

The company was established under the Company Act 2063 on 2068/01/29. It was registered in Inland Revenue Department on 2068/08/06 and initiated its financial transactions from 2068/08/25. Company is registered at Kathmandu Metropolitan City, Ward no- 16, Vanasthali, Kathmandu and all the financial activities are carried out from there. Trishuli Jal Vidhyut Company Limited is the first company to issue Initial Public Offering (IPO) under the "Citizens' Hydropower Project" scheme introduced by the government of Nepal.

Issue Details	
Issue Size	37,05,000
Price per Share (10% of 100)	Rs 10
Issue Open Date	2075/12/07
Issue Close Date	2075/12/11
Issue to Staff (3%)	1,11,150
Issue to General Public	35,93,850
Issue Manager	Global IME Capital Ltd.
Collection Centers	ASBA Approved BFIs
Min. Application (Kitta)	100
Max. Application (Kitta)	10,000
ICRA Rating	Not Required

### Projects

So far, the company has a single project under its name.

### Upper Trishuli 3 B Hydroelectric Project

The project is located at Nuwakot and Rasuwa district and Trishuli river is the major source of water for the electricity production for this project. This project has an installed capacity of 37 MW. The project is a cascade project of Upper Trishuli 3A Hydroelectric Project which is the project of NEA. The project received approval for electricity production on 2070/04/27. The project is expected to complete in 2077/11/29. The estimated cost of the project is Rs.8,22 arba and cost per megawatt is ~Rs. 22 crore. The Pay Back Period of the project is 7.95 years and the discounted pay back period is 11.82 years. As per the prospectus only 28.9% of the project has been completed.

Details of Upper Trishuli 3B Hydroelectric Project	
Type of Project:	Run of River, cascade project of Upper Trishuli 3A
Location:	Nuwakot and Rasuwa district
Status:	In progress (28.9%)
Installed Capacity:	37 Mega Watt
Commercial Operation Date:	2078/11/17 (As per prospectus)

Key Fundamentals F.Y 2074/75	
Paid up Capital('000)	8,80,000
Reserve ('000)	(77,929)
BV Per Share (NPR.)	91.14
Earnings Per Share (NPR.)	(-2.53)

## Purpose of IPO Proceeds

Utilization of IPO Proceed	
Particulars	Amount (NPR.)
Project construction activities (civil, electromechanical, hydro mechanical, etc.)	2,59,35,000
Consulting Service	74,10,000
Administrative expenses	37,05,000
<b>Total</b>	<b>3,70,50,000</b>

## PPA Status and Rate for Upper Trishuli 3B Hydroelectric Project

The power purchase agreement between the company and NEA was done on 2074/05/06. For wet season comprising of 6 months, the PPA rate is 4.80 NPR per unit KWH. For 6 Dry months the PPA rate is determined as NPR. 8.40 per unit KWH.

PPA Rate (NPR. Per Unit)	
<b>Rainy Season</b>	<b>4.8</b>
<b>Dry Season</b>	<b>8.4</b>

After a year of Commercial Operation Date (C.O.D) of the project, there can be increase in the PPA rate by 3 % for eight times.

## Future plans and strategies

- 1.) Surveying, constructing, operating, and managing Upper Trishuli 3B project and selling electricity
- 2.) To study various other possibility of other hydro energy projects.
- 3.) Exporting electricity

## Board of Directors

The board of directors of company consists of 7 directors

S.N.	Name	Designation	Experience	Representative Institution
1	Mr. Kulman Ghising	Chairman	24 years at NEA	NEA
2	Mr. Surya Bhakta Pokhrel	Director	16 years at NTC	NTC
3	Mr. Pradip Raj Upadyay	Director	16 years at NTC	NTC
4	Mr. Matuk Anand Vaidya	Director	27 years at NTC	NTC
5	Mr. Madan Timsina	Director	22 years at NEA	NEA
6	Mr. Mohan Prasad Gautam	Managing Director	20 years in hydro	NEA
7	Mr. Jagadiswor Man Singh	Alternative Director	32 years at NEA	NEA

## Key Persons

S.N.	Name	Designation	Experience	Holdings
1	Mr. Mohan Prasad Gautam	Managing Director	20 years in hydro sector	Nil
2	Mr. Anand Dhungel	Project Head	17 years in hydro sector	Nil
3	Mr. Bharat Kumar Paudel	Secretary/Finance head	25 years in various sector	Nil

## Capital Structure

Group	Shareholders	Share Units	Capital Structure	Paid up capital (Rs)	Paid %
Ka	Promoter share holders	74,10,000	30%	74,10,00,000	100%
Ka	Promoter share holders	74,10,000	30%	74,10,00,000	100%
Kha	General public	37,05,000	15%	3,70,50,000	10%
<b>Total</b>		<b>18,52,50,000</b>	<b>75%</b>	<b>1,51,90,50,000</b>	

## Financial Reporting Analysis

### Excerpts from Balance Sheet (NRs '000)

Particulars	Actual			Projected				
	072/073	073/074	074/075	075/076	076/077	077/078	078/079	079/080
Share Capital	462,500	547,500	880,000	1,519,050	2,470,000	2,470,000	2,470,000	2,470,000
Reserve	(41,190)	(60,003)	(77,929)	(98,849)	(120,334)	(142,329)	130,093	595,185
Long Term Loan	-	-	-	682,500	285,070	4,920,825	5,397,372	4,951,248
Net Worth	91.09	89.04	91.14	93.49	95.13	94.24	105.27	124.10
Total Asset	472,373	546,207	829,273	2,191,006	5,416,342	7,535,248	7,314,923	8,718,977

## Comparison with Industry Figures with industry average of the latest reported quarter Q2 2075/76

The existing capital of the company as per FY 74/75 is NPR. 88 crore. After the issuance of IPO at 10% of par value worth Rs.3.70 crore and Including the amount paid up by promoter share holders i.e. Rs. 1.48 arba the paid-up capital will reach to Rs. 1.52 arba. The company is expected to report negative reserve for the next three fiscal years. The commercial operation date is on 2078/11/17 after which company is expected earn profit resulting in reserve surplus. Company has not used any long term debt financing so far. As per the projected data, the company plans to use long term debt by the fiscal year 75/76.

## Comparison with Industry Average(Latest Quarter 2, 2075/76

	Industry Average	Trishuli Jal Vidhyut Company Limited
Market Cap**('000)	48,588,906	
P/E	21.64	
P/B	1.29	
ROE (%)	9.23	-3.86
ROA (%)	6.30	-3.44
EPS(Rs.)	12.73	-2.53
BVPS	118.80	91.14
Net Profit Margin (%)	37.40	-
Gross Profit Margin (%)	79.84	-
* figures are based on FY 2074/75 Q2 published data		
* KKHC, AKPL, DHPL, PMHBL, HPPL, and RRHP are not taken into consideration		
* ** Market Cap represents total listed industry cap as on 19-12-2075		

As electricity production has not started yet ROE, EPS, and ROA is negative. The industry average ROE, ROA, and EPS are 9.23%, 6.30%, and 12.73 respectively. The book value per share of the company is 91.14 whereas the industry's book value per share is 118.80

## Others key data

Particulars	Actual			Projected				
	072/073	073/074	074/075	075/076	076/077	077/078	078/079	079/080
Net worth per share	91.09	89.04	91.14	93.49	95.13	94.24	105.27	124.1
EPS	-2.87	-3.44	-2.53	-1.38	-0.87	-0.89	11.03	33.83
ROE%	-3.15%	-3.86%	-2.78%	-1.48%	-0.91%	-0.94%	10.48%	27.26%
ROA%	-2.81%	-3.44%	-2.68%	-0.95%	-0.40%	-0.29%	3.72%	9.58%
Net Profit Margin (%)	-	-	-	-	-	-	35.27%	24.38%
Gross Profit Margin (%)	-	-	-	-	-	-	91.43%	91.56%

- The Net profit margin of the company is projected to be 35.27% and 24.38% in the FY 78/79 and FY 79/80 respectively.
- The return on assets and return on equity will be positive only after the FY 78/79

The fundamentals of company is very hard to judge. However, the company has projected to outperform once the project is complete.

## Valuation of Company

We have valued the company using the Relative valuation approach.

### Relative Valuation Model

The model helps to judge whether a particular stock is overvalued, undervalued or fairly valued in terms of measures like earnings, book value, cash flow, sales per shares by comparing the industry multiples. We can also compute the intrinsic value of the shares of the company once it comes in the secondary market by using the industry multiples. Here, we have considered only the P/E and P/B based multiples, as we lack the data for the P/CF and P/S ratio.

P/B Based Valuation			
Projected Year	Industry PB (As of latest reported Qtr.)	BVPS of Company	Value of Shares
2075/76	1.29	93.49	120.6021
2076/77	1.29	95.13	122.7177
2077/78	1.29	94.24	121.5696
2078/79	1.29	105.27	135.7983
2079/80	1.29	124.1	160.089

P/E Based Valuation			
Projected Year	Industry PE (As of latest reported Qtr.)	EPS of Company	Value of Shares
2075/76	21.65	-1.38	NA
2076/77	21.65	-0.87	NA
2077/78	21.65	-0.89	NA
2078/79	21.65	11.03	238.7995
2079/80	21.65	33.83	732.4195
The Industry P/E and P/B as of latest Quarter 2, 2075/76 has been used.			
Price as of 17-march 2019 has been used to compute P/E and P/B			
KKHC, AKPL, DHPL,PMHBL, HPPL, and RRHP are not taken into consideration.			

The P/E and PB valuation is based on the law of one price. The law of one price is the economic theory that states the price of an identical security, asset traded anywhere should have the same price

The rationale for using P/E ratio in valuation is that the earning power, as measured by the EPS, is the primary determinant of investment value.

Since, the project will start to profit only after project completion phase, it is difficult to determine the value before that. However, project is expected to earn profit after project completion phase. The rationale for using the P/B ratio is to find low price stock in case the market has been neglected.

## Strengths-Weaknesses-Opportunities-Threats (SWOT) Analysis

### STRENGTHS

- **Institutional promoters:** The Company has two government institutions as the promoters. They can utilize their varied expertise in building of the hydropower.
- **Short payback period** The Company has short payback period. Its discounted paybackperiod is 11.82 years only.
- **Government and Public Funding:** The company is jointly formed by Nepal Electricity Authority (NEA) and Nepal Doorsanchar Company Limited (NDCL)

### WEAKNESSES

- **Escalation of project cost:** As the project is still in building progress the cost of building the project may exceed the expected cost.
- **IPO issue** has been done at the very early stage. Only 28.9% of the project has been completed.

### OPPORTUNITIES

- **Untapped Market:** There are less number of Hydropower Companies compared to abundant rivers varying from size and length, thus the market is still young and unsaturated.
- **Export Market:** Potential export market of electricity to India and Bangladesh.
- **Government Program:** This project was initiated by the government to encourage citizens' investment in hydro sector with an ultimate goal to make all Nepalis shareholder of Hydropower. The scheme is named "Citizens' Hydropower Project"

### THREATS

- **Natural Calamities:** The chances of natural calamities like flood, landslide, and earthquake cannot be ruled out.
- **Globalization:** Recession in global economy may affect Nepali stock market which will also affect the share price of the company.
- **Foreign exchange risk:** If the Nepali Rupees devaluates in future, the cost of the project may increase.

## Tentative Allotment Schedule

Company Name	Mountain Hydro Nepal Limited (MHNL)	Joshi Hydropower Development Company Limited
<b>Floated units</b>	1,816,110.00	1,690,470.00
<b>Units applied to General</b>	1,767,790.00	1,590,580.00
<b>Number of Applicants</b>	50,954.00	83,770.00
<b>Total units Applied</b>	3,394,810.00	5,917,520.00
<b>Average units applied</b>	66.62	70.64
<b>oversubscribed</b>	1.92	3.70
<b>Alloted kitta</b>	40.00	10.00
<b>Allotment Basis</b>	Lottery	Lottery
<b>Allotment Date</b>	March-17-2019	Dec-11-2018

Chapter 5, Article 30 of Securities Issue and Allotment Guidelines 2074 provides the new process of allotment of securities under which every valid applicant shall be allotted 10 kitta shares on the very first round of allotment and the round following then, provided the kittas available are sufficient for allotment to each eligible applicant. Otherwise, the lottery system will be followed.

On top right is the issue and applicants details of IPO of Mountain Hydro Nepal and Joshi Hydropower Development Company Limited as per new process. The IPO was oversubscribed by more than 1.92 times and 3.70 times for Mountain Hydro Nepal limited and Joshi Hydropower Development Company Respectively.

Trishuli Jal Vidhyut Company Limited	
<b>Issue Units to Public</b>	3,593,850.00
<b>Estimated Applicants</b>	300,000.00
<b>Est. Applied Kittas</b>	60,000,000.00
<b>Oversubscription</b>	16.70
Allotment	
<b>Required Kittas</b>	60,000,000.00
<b>Available Kittas</b>	3,593,850.00
<b>Allotment Basis</b>	lottery
<b>Number of Allottees</b>	300,000.00
<b>Estimated Allotment Date</b>	1 Week

Investors are found to be more attracted in the primary market like IPOs. Almost all the IPO shares have been oversubscribed in the past. Though, the recent down trend of hydro sector scripts in secondary market, with political development could moderately excite the prospective investors.

Trishuli Jal Vidhyut Company Limited is the first company to issue Initial Public Offering (IPO) under the "Citizens' Hydropower Project" scheme introduced by the government lately. Applicant just need to invest 10% until 75% project is completed. The par value of shares is Rs 100 and initial call amount is Rs 10. Applications can be place for minimum 100 units and maximum 10,000 units.

Since only 10% of the money is required to invest until 75% project is completed, and due to the charm of new scheme from government, we estimate the IPO will be oversubscribed by 16.70 times with 3 lakh valid applicant.

For our forecast of 3 lakh valid applicants, the number of kittas required to satisfy all with minimum 10 kittas is 30 lakh kittas while available units is 35.93 lakh units. Hence, there is high possibility that all of the investors get minimum 10 kittas.

## Technical Analysis of Hydropower Sub Index



Hydropower index is in a down trend at the present time. In fact almost every sectors trading in Nepse is in a down trend. Hydropower index is in bearish trend as suggested by long-term and mid-term moving averages. More importantly, in short term perspective, hydropower index has been hesitant to go higher signaling the possibilities of down trend continuation.

ADX line is hovering around the level of 25 signaling non trend market environment. RSI is moving around the mid levels indicating lacking momentum in the market.

Although the bear market in hydro sector occurred two years before than that of Nepse, in the present context, hydro seems to be following Nepse index's move.

The immediate support for the hydropower index is at 1100 while the immediate resistance for hydro power index is 1200.

**Disclaimer:** All of the content published on this Compendium is based on internal data, publicly published data and other available information believed to be reliable. The information contained in this document is meant for general purposed only without



# GLOBAL IME CAPITAL COMPENDIUM



warranty of any kind. The information/data herein alone is not sufficient and shouldn't be used for the development, analysis or implementation of an investment strategy.

.Investors should use this research as one input into formulating an investment opinion. Additional inputs should include, but are not limited to, the review of other. This is not an offer (or solicitation of an offer) to buy/sell the securities/ instruments mentioned or an official confirmation. Global IME Capital Limited is not responsible for any error or inaccuracy or for any losses suffered on account of information contained in this report. This report does not purport to be offer for purchase and sale of share/ units. Investing in the stock market may have large potential risks involved in which you can lose some or all your money. You, the reader and not Global IME Capital Ltd, are solely responsible for any losses, financial or otherwise, as a result of your investment.



Global IME Capital Limited  
3rd Floor, RastriyaNaachGhar  
Jamal, Kathmandu, Nepal  
Contact No.: +977-01-4222460, 4261178, 4223593  
Fax No.: +977-01-4222534  
Email: [info@gicl.com.np](mailto:info@gicl.com.np)  
Website: [www.globalimecapital.com](http://www.globalimecapital.com)