

# GLOBAL IME CAPITAL COMPENDIUM

INITIAL PUBLIC OFFERING

REPORT DATE: 7/26/2020

SECTOR: OTHERS

## Overview of the Company

NRN Infrastructure and Development Limited, Formally NRN investment limited was established on 2069/05/31. The registered office of the company is located at Chahabil-7, Kathmandu, Nepal. The name was changed to NRN Infrastructure and Development Limited in February 2, 2017. The main objective of the company is to hold stakes and disburse loans in the hydroelectricity project and other infrastructure development projects.

Issue Details	
Issue Size	33,98,046
Price per Share (NPR.)	100
Issue Open Date	2077/04/16
Issue Close Date	2077/04/21
Issue to Staff (2%)	67,961
Issue to Mutual Funds (5%)	1,69,902
Issue to General Public (93%)	31,60,183
Issue Manager	Sanima Capital Ltd
Collection Centers	Mero share and All BFIs with ASBA
Min. Application (Kitta)	10
Max. Application (Kitta)	31,60,183
ICRA Rating	CARE-NP IPO Grade 4

## Summary of Investments by NRN Infrastructure and Development Limited

Project Name: Dordi khola Hydro power Project	
Type of Project	Hydropower
Developer:	Himalayan Power Partner Limited
Location	Bansara VDC, Lamjung
Status:	Under-Construction
Installed Capacity:	27 MW
Design Discharge	15.28 m <sup>3</sup> /s
Survey license Issue Date	26 May, 2005
Grid Connection Contract Date:	7 July 2010
Electricity Generation Permission Date:	7 July,2011
Electricity Purchase and Sales Agreement Date:	15 June, 2012
Construction Contract Date	April ,2014
Commercial Production Date:	30 Nov, 2020
Production Capacity in Winter Season	221.367GWh
Production Capacity in Summer Season	120.952GWh
Average Annual Energy Production	142.319 GWh
Construction Start Date:	April, 2014
Total Project Cost:	Rs.4,498 Million

Project Name: Middle Tamor Hydropower Project	
Type of Project:	Hydropower
Developer:	Sanima Middle Tamor Hydropower Limited
Location:	Fungling, Taplejung
Status:	Under-Construction
Installed Capacity:	73 MW
Design Discharge	73.71 m <sup>3</sup> /s
Survey License Issue Date	15 Falgun, 2064
Grid Connection Contract Date:	25 Falgun, 2071
Electricity Generation Permission Date:	5 June, 2017 54 MW and 30 NOV, 2018 19 MW
Electricity Purchase and Sales Agreement Date:	26 Poush, 2073 54 MW and 14 Mangsir, 2075 19 MW
Construction Contract Date	12-Apr-2018
Commercial Production Date:	13 Sep, 2021- 54 MW and 17 July, 2022 19 MW
Production Capacity in Winter Season	46.48GWh
Production Capacity in Summer Season	263.08 GWh
Average Annual Energy Production	309.56 GWh
Construction Start Date:	18 January, 2019
Total Project Cost:	Rs.12,680 Million

Likhu Hydropower Project	
Type of Project:	Hydropower
Developer:	Swetganga Hydropower and Construction Ltd
Location:	Saipu and Bijulikot VDC, Ramechhap
Status:	Under-Construction
Installed Capacity:	28.1 MW
Design Discharge	29.75 m <sup>3</sup> /s
Survey license Issue Date	18 June, 2008
Grid Connection Contract Date:	25 March, 2016
Electricity Generation Permission Date:	14 April, 2016
Electricity Purchase and Sales Agreement Date:	29 December, 2016
Construction Contract Date	March, 2018
Commercial Production Date:	1 December, 2016
Production Capacity in Winter Season	30.94 GWh
Production Capacity in Summer Season	139.89 GWh
Average Annual Energy Production	170.84 GWh
Construction Start Date:	April, 2018
Total Project Cost:	Rs.5,595Million

Mathilo Mailung Khola Hydropower Project	
Type of Project:	Hydropower
Developer:	Mathilo Mailung Khola Hydropower Limited
Location:	Uttargaya VDC 01
Status:	Under-Construction
Installed Capacity:	14.3 MW
Design Discharge	3.53 m <sup>3</sup> /s
Survey license Issue Date	10 Poush, 2063
Grid Connection Contract Date:	15 Bhadra, 2067
Electricity Generation Permission Date:	7 Chaitra, 2073
Electricity Purchase and Sales Agreement Date:	23 Bhadra, 2068
Construction Contract Date	8 Falgun, 2075
Commercial Production Date:	15 Ashad, 2078
Production Capacity in Winter Season	13.165 GWh
Production Capacity in Summer Season	66.504 GWh
Average Annual Energy Production	79.67 GWh
Construction Start Date:	28 Jestha, 2076
Total Project Cost:	Rs. 2,500 million

## Utilization of IPO Proceeds

Particular	2076/77	2077/78	2078/79
Investment in Hydropower Project	10,00,00,000	15,00,00,000	15,00,00,000
Annually Investment	10,00,00,000	15,00,00,000	15,00,00,000

The above proceeds will be used to invest in the following projects:

Thulo Khola Hydropower	
Developer	Smyukta Urja Pvt
Location	Kuinemangale, Myagdi
Installed Capacity	21.30 MW
Design Discharge	7.30m <sup>3</sup> /s
After Outage Average Annually Energy	128.75 GWh
Construction Time	3 Years
Type of Project	Run of River
Total Cost	Rs.3.52 billion

Jum Khola Hydropower	
Developer	Sanima Hydro power Ltd
Location	Bigu VDC ,Dolkha
Installed Capacity	56 MW
Design Discharge	25.54m <sup>3</sup> /s
Type of Project	Run of River
Production Energy in Winter Season	97.41 GWh
Production Energy in Summer Season	211.68 GWh
After Outage Average Annual Energy Production	32,47,54,069 KWh
Construction Time	3 years
Total Cost	10,533 million

Middle Kaligandaki Hydropower	
Developer	Hydro support pvt
Location	Annapurna VDC, Mayagdi
Installed Capacity	53.539MW
Design Discharge	44.98m <sup>3</sup> /s
Type of Project	Run of River
Production Energy in Winter Season	98.97 GWh
Production Energy in Summer Season	211.68 GWh
After Outage Average Annual Energy Production	310.656 GWh
Construction Time	4 years
Total Cost	1,069 million

## Objectives and Future Strategies

- 1.) To invest in the shares and disburse loan to the companies that are working in hydropower, construction, and energy sector.
- 2.) To enhance public relation inside and outside of the country.
- 3.) To establish the infrastructure to utilize the remittance and to invest the remittance in middle and large size hydro power project through the remittance hydro concept.

## Board of Directors:

As per Article 27 of the Article of Association of Company, the board shall constitute of 11 members. The tenure of directors shall be 4 years. Minimum 1000 units is required to be qualified as a director.

Shareholder	No. of Shares	Type/Group	No. of Director
Promoter	79,28,775	Promoter Group	6
Public	33,98,046	Ordinary Group	3
Total	1,13,26,821	Independent Directors	2

S. N	Name	Holding (Units)	Qualification	Current Profile	Experience
1	Mr. Jiba Nath lamichhane	80,643	Master Degree	Chairman	25 years of Experience at National and International Organizations and Former President of NRN
2	Mr. Shesh Ghale	53,762	PHD	Director	15 years of experience in International Business and Former President of NRN
3	Mr. Krishna Prasad Pandey	1,07,524	Bachelors	Director	Promoter Shareholder of Sanima Mai Hydropower Ltd and Sanima Insurance Company and Manager at Doda Pani .Com
4	Mr. Bal Krishna Gurung	6,452	Bachelors	Director	25 years of experience at British Gurkha Army and Manager at Several Securities Firms for 4 years.
5	Mr. Mahesh Kumar Shrestha	80,463	Master Degree	Director	15 years of experience in Hydropower, Finance Sector, Director at Center for Power Development, and City Express Money Transfer in Nepal.
6	Mr. Rameshwor Shah	5,377	Bachelors	Director	25 years of experience at Securities and Involve in Outsourcing Business.



## Key Persons:

S.N	Name	Post/Designation	Qualification	Experience
1	Ms. Usha khatiwada	Chief Executive Officer	Master in Rural Development	1.5 years of experience in Sanima Life Insurance and 7 years of experience in Sanima Hydro Power Company Ltd.
2	Mr. Badri Bishal Ghimire	Company Secretary	Bachelors in Law	Engagement in Sanima Group for 20 years and Engagement at Bishal Law Associates since 2018 as a Lawyer.
3	Mr. Prashida Neupane	Advisor of Finance	Chartered Accountant	Engagement at finance advisor and Audit for 6 years.

## General Introduction to Balance Sheet Figures:

The existing capital of the company is NPR.76.84 Crore (F.Y 2074/75). After the IPO, the capital will reach to NPR.1.132 Arba. The company has projected a reserve of NPR.2.41 Crore in FY 2076/77. This is projected to further increase in the projected years. The company has NPR. 2.53 Crore current liabilities in FY 2075/76. It is expected to decrease for upcoming year. Total asset is forecasted to increase at 104.19 % CAGR over 4 years. The net worth is in increasing trend forecasted to increase at 104.47% CAGR over 4 years.

### Excerpts from Balance Sheet (NRs000)

	Audited		Projected		
	2074/75	2075/76	2076/77	2077/78	2078/79
<b>Share Capital</b>	768,445	792,877.500	1,132,682.10	1,132,682.10	1,132,682.10
<b>Reserve</b>	25,967.705	16,319.22	24,170.93	39,255,.19	49,447.24
<b>Total Current Liabilities</b>	6,188.611	25,383.39	14,022.72	10,734.20	8,006.34
<b>Net Worth</b>	794,412.40	809,196.72	1,156,853.03	1,171,937.29	1,182,129.34
<b>Total Assets</b>	800,601.015	834,580.107	1,170,875.750	1,182,671.485	1,190,135.675

## Comparison with Industry Figures (Annual Financial Report of 2075/76)

- The company has capital employed ratio of 2.64% for the fiscal year 2075/76. The peer average (HIDCL) for the same period is 0.84%.
- The company's net worth per share is NPR. 102.06 The peer average (HIDCL) for the same period is Rs108.32.
- The EPS of the company is NPR. 2.04. The peer average (HIDCL) EPS for the same period was NPR 6.64.

	Comparison	
	Peer Average (HIDCL)	NRN
<b>ROE (%)</b>	6.13	1.99
<b>ROA (%)</b>	5.68	1.93
<b>EPS(Rs.)</b>	6.64	2.04
<b>BVPS</b>	108.32	102.06
<b>ROCE (%)</b>	0.84	2.64

Ratios	Audited		Projected		
Particulars	2074/75	2075/76	2076/77	2077/78	2078/79
Current Ratio (Times)	48.48	10.22	34.45	30.96	23.72
BVPS	103.38	102.06	102.13	103.47	104.37
EPS (NPR.)	3.38	2.04	2.04	3.33	4.3

## General Introduction to Income Statement:

The interest income from is projected from F.Y 2076/77. Similarly, the net profit is expected to increase for upcoming year. Administrative expenses are projected to occur from F.Y 2076/77

Particulars	Audited (NRs000)		Projected (NRs000)		
	2074/75	2075/76	2076/77	2077/78	2078/79
Interest Income	37,326.259	24,594.49	35,816.46	23,030.16	11,543.76
Administrative Expenses	3,731,933	3,476.75	3,598.48	3,836.08	3,959.95
Depreciation Expenses	78,686	51.896	40.797	32.66	24.842
Net Profit	25,967.705	16,176.43	23,142.92	37,737.90	48,703.24

## Valuation of Company

The idea of relative valuation is that, similar assets should sell at similar prices. The application of relative valuation is called the method of comparable. It estimates an asset's value relative to that of another asset (benchmark). The model helps to check whether a particular stock is overvalued, undervalued or fairly valued in terms of measures like earnings, book value, cash flow, sales per shares by

### P/B Based Valuation

Projected Year	HIDCL P/B (Q3 76/77)	BVPS (NPR)	Value of Shares (NPR)
76/77	1.23	102.13	125.62
77/78	1.23	103.47	127.26
78/79	1.23	104.37	128.37

### P/E Based Valuation

Projected Year	HIDCL P/E (As of 3 <sup>rd</sup> Qtr, 76/77)	EPS (NPR)	Value of Shares (NPR)
76/77	19.47	2.04	39.71
77/78	19.47	3.33	64.83
78/79	19.47	4.3	83.721

comparing the industry multiples. Here, we value the company based on P/E and P/B based multiples. The PE and P/B ratio has been kept constant while forecasting the value of the share.

**P/E Ratio** shows the amount investors are willing to pay for each rupee earnings of the company.

**P/B Ratio** shows the amount investors are willing to pay for each rupee of company tangible assets. The P/E ratio of the HIDCL company stands at 19.47 while the P/B ratio of the HIDCL stands at 1.23. Based on P/B valuation the company share value is expected to be 125.62, 127.26 and 128.37 in the F.Y 2076/77, 2077/78, and 2078/79 respectively.

Based on P/E valuation, the company share price is expected to be 39.71, 64.83, and 83.721 in the F.Y 2076/77, 2077/78, and 2078/79 respectively.

## Tentative Allotment Schedule

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 kitta available are sufficient for allotment to each eligible applicant. Otherwise, the lottery system will be followed.

NRN Infrastructure and Development Limited	
Issue Units to Public	31,60,183
Estimated Number of Applicants	443,826
Estimated Applied Units	1,33,14,780
Oversubscription	4.21 times

For the estimation of total applicants, average of recent three IPOs have been considered. Applications of Ajod Insurance Limited, Sadhana Laghubitta Bittiya Sanstha Limited and NIC Asia Laghubitta Bittiya Sanstha are considered. The average number of applicants is 443,826. Based on the recent IPO trend, on an average each applicant is likely to apply for 30 kitta.

Based on these estimations, the total estimated applied units are 1,33,14,780 units whereas the available units are only 31,60,183 units. Hence the IPO is estimated to be oversubscribed by 4.21 times.

## Listing of Shares of NRN Infrastructure and Development limited

The book value per share of the company as on FY 2075/76 was Rs.102.06. Therefore, the listing range of the share should be in the range of Rs.102.06 (lower range) and three times of lower range i.e. NRP. 306.18 (upper range).

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