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HIDCL

Newsletter

A bimonthly email newsletter of
HYDROELECTRICITY INVESTMENT & DEVELOPMENT COMPANY LIMITED

जलविद्युत लगानी तथा विकास कम्पनी लिमिटेड

CREATING OPPORTUNITIES FOR A BRIGHTER, PROSPEROUS NEPAL THROUGH THE DEVELOPMENT OF HYDROPOWER

HIDCL to Provide Debt of Rupees 600 Million in Two Hydropower Projects of 30 MW and 23.5 MW in size



Project Location

HIDCL has committed to finance two hydropower generation projects, the 30 MW Khani Hydroelectric Project located in Dolakha district of Central Development Region and the 23.5 MW Solu Hydroelectric Project (HEP) located in Solukhumbu district of Eastern Development Region as a member of the consortiums formed for financing the projects.

The Board of HIDCL approved to provide a debt of Rs. 400 Million for the development of 30 MW Khani Khola HEP as member of the consortium led by Prime Commercial Bank, and Rs. 200 Million for the construction of 23.5 Solu HEP as member of the consortium led by Laxmi Bank Limited.

Financial closure of both the projects is expected to happen soon. The salient features of the projects are as presented here.

Khani Khola Hydroelectric Project is being developed by Sasha Engineering Hydropower (P) Ltd, the major shareholders of which are Mr. Lakpa Sonam Sherpa, Mr. Pavitra Kumar Karki and Mr. Ang Tschiring Sherpa whereas, Solu Khola Hydroelectric Project, a government of Nepal bid project popularly known as a member of the super six family, is being developed by Upper Solu Hydroelectric Company (P) Ltd, whose major shareholder is the ICTC group of companies.

With these two projects, the number of projects that HIDCL has already decided to provide debt as part of consortium has reached four, totaling to 124 MW and debt of Rs. 2100 Million.

Salient Features of the Projects

Particulars	Khani Khola HEP	Solu Khola HEP
Location	Dolakha	Solukhumbu
Project Capacity (MW)	30	23.5
Project Cost (MI Rs.)	3,304	4,099
Debt Equity Ratio	70:30	75:25
Total Loan (MI Rs.)	2600	3070
HIDCL Loan (Mil Rs.)	400	200
Interest Rate (%)	12	12
IRR on Project (%)	20.58	16.99
RCOD	May, 2016	May, 2016

Discussion with Banks and Financial institutions held on the On-lending/Refinance Facility of HIDCL

Besides, direct equity and debt financing of attractive mid-mega (above 15 MW) Hydro Projects, HIDCL also has a provision to support hydro projects in the range of 10-15MW by providing on-lending/refinancing facility to Banks financing such projects. The objective of the facility is to provide a source of fund to Banks at Bank's risk willing to finance attractive hydro projects.

HIDCL has initiated the process of developing the on-lending/refinance policy to Banks and in this regard with an objective to disseminate the facility to Banks and Financial institutions, gather suggestions and opinions from stakeholders, a discussion program was organized by HIDCL on 2nd of March, 2014 in Kathmandu, which was participated by top management of Banks and Financial Institutions, Department of Electricity Development (DoED), Nepal Electricity Authority (NEA), prominent government and public sector enterprises, industry associations (Banking Association, Development Banking Association, Independent Power Producer Association), the media etc.

The event was chaired by Mr. Bishwa Prakash Pandit, Secretary, Ministry of Energy, Government of Nepal, also the Chairman of HIDCL. The Chief Guest of the event was Mr. Yuvraj Khatiwada (PhD), Governor, Nepal Rastra Bank. Other prominent personalities on the Dias included Mr. Dili Bahadur Singh, Director General-DoED, Mr. Arjun Karki, Managing Director- NEA, Mr. Krishnaraj Lamichhane, President-Development Bankers Association Nepal, Mr. Ashish Garg-Executive Committee Member, Independent Power Producers' Association, Nepal (IPPAN) etc.

The Chief Executive Officer of HIDCL, Mr. Deepak Rauniar made a presentation in the event. His presentation focused on the business objectives and mandates of HIDCL, ongoing activities, investment portfolio, project pipelines, and the objective of the proposed on-lending/refinance policy. He put forward a number of questions with regards to the envisaged policy to the participants. An open forum followed his presentation where participants showed keen interest towards HIDCL and activities and the proposed on-lending policy.

Meeting with Senior Officials of Asian Development Bank

With the objective of discussing joint financing opportunities for hydro projects of Nepal and funding requirements of HIDCL, Board Director, Mr. Krishna Prasad Acharya and Chief Executive Officer, Mr. Deepak Rauniar attended meetings with senior officials of Asian Development Bank (ADB) at ADB Headquarters in Manila from April 8 -12, 2014 on the invitation of ADB.

The meeting with senior officials of ADB focused on a number of issues including HIDCL funding requirements, concessional loan to HIDCL possible promotion of a mid-sized hydro project in Public Private Partnership (PPP) model, equity fund etc. The senior ADB officials expressed their support to HIDCL and encouraged HIDCL to assume more proactive role in promoting the hydro sector of Nepal.

Many of the participants including CEOs of Banks and Financial institutions provided their views on the proposed policy which included such suggestions as the proposed policy should have longer tenure, lower interest rates in line with the refinancing facility already being offered by the Central Bank, the need to not constraint the size of the projects as anyway the facility was being offered to Banks at Banks risk etc. Many also opined that, while the proposed initiative was good and relevant, HIDCL should consider promoting projects by investing in equity of attractive hydro projects, or initiate a substantial project by itself. The banks would be more interested to provide debt to projects initiated by HIDCL or HIDCL's equity participation.

The chief guest of the event Dr. Khatiwada, while expressed the need for such a product, also opined the need for HIDCL to take leadership role in promoting hydro projects, mainly through equity participation. He also expressed that in such an event resources available in the banking sector can be utilized by HIDCL to finance a couple of attractive hydro projects. The chair of the event, Chairman of HIDCL, Mr. Pandit expressed his thanks to all the present for their active participation and providing valuable suggestion. He assured the participants that HIDCL would actively consider the suggestions and assume leadership role in promoting hydro projects in Nepal.

CEO Addresses Nepal Business Conclave 2014

The Chief Executive Officer of HIDCL, Mr. Deepak Rauniar addressed Nepal Business Conclave 2014, jointly organized by Government of Nepal and Federation of Nepalese Chambers of Commerce and Industry (FNCCI) on 23-24 March, 2014 in Kathmandu as a featured speaker. He made a presentation on investment opportunities in the hydropower sector in Nepal.

The conclave, a premier business event of FNCCI was organized with an aim to showcasing investment opportunities and encouraging local and foreign investment in Nepal. Around three hundred businessmen as well as government officials participated in the event, with a strong delegation of businessman and investors from Malaysia, China, Britain, India, and Canada, besides the host country Nepal. FNCCI showcased a total of 53 projects in various sectors like agriculture, tourism, infrastructure, manufacturing, hydropower, service, mines and minerals, to the investors in the event.

Prime Minister Sushil Koirala inaugurated the conclave amidst a grand opening, whereas the key note speaker of the event was former Malaysian President Mahathir Mohamad, who led Malaysia's transformation from agriculture to an industrialized economy.

During his presentation, Mr. Rauniar introduced HIDCL to the participants and shed light on its business objectives, mandates, investment portfolio, activities, projects etc. His presentation also highlighted existing opportunities to national and foreign investors in the energy sector in Nepal and how HIDCL could be a channel for foreign investment in the hydropower sector of Nepal.



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जलविद्युत लगानी तथा विकास कम्पनी लिमिटेड

Babarmahal, Kathmandu

Tel: 977-1-4257024, 4257025

Fax: +97714261060

Email: info@hidcl.org.np

URL: www.hidcl.org.np