

Source: My Republica ; 8 February, 2014

Upper Trishuli 3A deadline likely to get extended

The deadline for the completion of 60 megawatts Upper Trishuli 3A is likely to be extended as the project is unlikely to complete within the given deadline.

According to Sher Singh Bhat, deputy managing director of Nepal Electricity Authority (NEA), the government is preparing to extend the deadline for the project and increase the project cost.

“It is not possible to complete the project within three months so there is no option other than to extend the project deadline,” he said. The project will be completed by May 2014. Bhat said that it would take 26 months to complete the 60-megawatts project.

“The locals have provided their land with a hope that the project will be completed,” a local Shesh Nath Bhatta told Republica.

Source: My Republica; 9 February, 2014

HIDCL's Rs 8 billion remains unused for 30 months

At a time when the country is facing chronic power shortage, Hydroelectricity Investment and Development Company Limited (HIDCL) is sitting on cash pile of Rs 8.77 billion earmarked by the government to develop hydropower projects.

The Jhalanath Khanal-led cabinet had formed HIDCL 30 months ago to hasten the pace of hydropower development and to work as the government's nodal agency to collect financial resources from domestic and foreign banks and financial institutions.



जलविद्युत लगानी तथा विकास कम्पनी लिमिटेड
Hydroelectricity Investment & Development Company Limited

Deepak Rauniyar, CEO of HIDCL, said the company was preparing to invest in five projects. "It's not that we are staying inactive. We have put in place essential laws and recruited necessary manpower. Now we can invest in large projects," added Rauniyar.

Though Rauniyar claimed that necessary laws have been put in place, the company is yet to prepare investment work plan and law related to loan investment and recovery of debt.

According to Rauniyar, the company has already agreed to co-finance different projects like Mistri Khola (42 MW), Dordi (27 MW), Khani Khola (30 MW), Kabeli A (37.6 MW) and Solu (23.5 MW). The company is investing about Rs 2 billion in these projects.

Highly-placed government officials said the company couldn't invest in hydropower projects on its own because of the irresponsible board of directors (BoD). The BoD of HIDCL is headed by energy secretary.

Company officials, preferring anonymity, said CEO Rauniyar was busy globetrotting on the pretext of preparing strategy for hydropower investment instead of identifying feasible projects over the past year.

Rauniyar was appointed to the post some 18 month ago.

During the inauguration of HIDCL in July, 2011, erstwhile energy minister Gokarna Bista had announced that the company would start investing within six months after preparing necessary laws.

The government has invested Rs 5 billion in HIDCL. Similarly, Employees' Provident Fund, Citizens Investment Trust and Rastriya Beema Sansthan have invested Rs 1 billion each in the company.

An official at the energy ministry said keeping such a huge amount of money idle would make negative impact on national economy. "Had the company started to invest in time, it would have already managed to put its money on projects of over 100 MW," the official said.

Though the company was formed to invest on large scale projects, all the projects that it is co-financing are below 50-megawatt capacity.

Leave alone making investment on feasible projects, the company is weak even in terms of money management.

Sources say the company lost interest income of Rs 6.8 million by not transferring Rs 1.51 billion from the company's account in Nepal Rastra Bank (NRB) to commercial banks. An employee of the company said the management showed reluctance to deposit money in fixed deposit accounts of commercial banks through open competition.

Source: My Republica; 9 February, 2014

Ridi Hydropower's IPO from Feb 16

Ridi Hydropower Development Company (RHDC) is floating 1.17 million units of primary shares with face value of Rs 100 each from February 16.

The company had received the go-ahead from the Securities Board of Nepal (Sebon) - the stock market regulator -- to issue shares worth Rs 117 million on February 3. The IPO will continue till February 20.

The 2.4-megawatt capacity project has been developed on Ridi River that borders Gulmi and Palpa districts. It has allocated 58,500 units of shares to three mutual funds -- Nabil Balance-1, Siddhartha Investment Growth Scheme-1 and Nagarik Yekanka Yojana - on proportional basis and 23,500 units to its employees.

According to the company, one should apply a minimum of 50 units of shares while the maximum limit has been fixed at 10,000 units. The company has appointed Civil Capital Market as the issue manager and Elite Capital as the joint issue manager.

With the issuance of primary shares, the paid-up capital of the company will reach Rs 300 million. Kuber Mani Nepal, director of the RHDC, told Republica that they were planning to utilize the money collected from the IPO to develop Iwa Khola Hydropower Project (10 MW) in Panchthar district. "The issuance of primary shares will help to change the perception that Nepal's hydropower companies are not transparent," he said, adding that the company anticipates an overwhelming response to the IPO.

Nepal said he expects the company's IPO to be oversubscribed by 10 times. "If the attraction of investors toward primary issues in recent years is anything to go by, our IPO could be oversubscribed by 20 times," he added.

RHDC would be the sixth hydropower company to issue primary shares. So far, Arun Valley Hydropower Development Company, Butwal Power Company, Chilime Hydro Power Company, National Hydro Power Company and Sanima Mai Hydropower have gone public. Similarly, Upper Tamakoshi Hydro Power (UTHP) has sought permission of Sebon to float 25.42 million units of shares, while Barun Hydropower Company has applied at Sebon to issue 243,000 units of shares to the people in the project affected area.

In recent years, IPOs have been attracting investors in droves. Anjan Raj Poudel, former president of Stock Brokers' Association of Nepal, told Republica that the investors are lured toward IPOs as the shares they bought go up once they are listed in the secondary market. "Most of these investors are from the secondary market and they invest their money with the expectations of good return in short span of time," he said.

Source: The Himalayan Times; 10 February, 2014

Tanahun hydro project hits snag

ADFD, one of the financiers, has asked for agreement to be ratified

Construction of 140-megawatt Tanahun Hydropower Project is likely to be delayed as Abu Dhabi Fund for Development (ADFD) has denied signing an agreement with government on co-financing project by placing various conditions.

The ADFD had earlier pledged to contribute around \$30 million (approximately

Rs three billion) to build the \$505-million reservoir-type project, which is also known as Upper Seti project. Other financiers of the project are the Asian Development Bank (ADB), which has pledged to contribute around \$150 million, the Japan International Cooperation Agency (JICA), which has promised to chip in around \$184 million, the European Investment Bank (EIB), which has pledged to contribute 55 million euros, and the government itself, which is contributing around \$71 million.

The government already has signed co-financing agreements with the ADB, JICA, and EIB. "However, due to a delay in signing the agreement with ADFD, we have not been able to use funds pledged by ADB, as the agreement with the Asian Development Bank clearly says the loan would be effective only after the government signs agreements with all financiers," a high-ranking official of the Ministry of Finance (MoF) said on condition of anonymity.

The problem stemmed from the ADFD's proposal to get the financial agreement reached with it 'ratified'. "In technical terms, ratification means we have to pass the agreement through the Parliament. This is not possible here as the law has given the authority to the Cabinet to endorse such agreements," another MoF official said on condition of anonymity.

As the ADFD started insisting that Nepal 'ratify' the agreement, MoF then told ADFD officials that government would rather drop ADFD's name as co-financier of the project than agree to their demands.

"We had sent an e-mail mentioning this because agreeing to their terms could have propelled other donor agencies to place such conditions in the future, thus, complicating the process," the MoF official said.

Following this, the ADFD responded saying it wanted to look into similar agreements signed with other donor agencies. "This is also not that easy as we cannot show agreements signed with one donor agency to the other," the official said. "But we are looking into other possibilities and if we don't find any we will have to start talking to another donor agency to co-finance the project."

Tanahun Hydropower Project is being developed in the Seti River in Tanahun district, about 150 km west of Kathmandu. The project has three main components: a hydropower plant of 140 MW with significant water storage facilities and associated transmission lines to evacuate the generated power; rural electrification and community development in the project area; and a reform and restructuring plan for the national utility, the Nepal Electricity Authority, according to the ADB's website.

If things go according to plan, the project should be complete within seven years of the launch of the construction process, which includes about 1.5 years for project site development and the execution of safeguard plans. "But if ADFD continues to place new conditions to sign the agreement, we may not be able to complete the project on time," the MoF official said.

The project is essential for Nepal as it is a reservoir-type project, meaning it will continue to generate electricity even during the dry season when power cuts can reach 12 hours per day or more.

Source: The Himalayan Times; 11 February, 2014

HIDCL mulls launching 'equity fund'

State-owned Hydroelectricity Investment and Development Company Limited (HIDCL) is mulling over launching an 'equity fund' to pool money from retail and institutional investors for the purpose of buying stakes in various hydroelectricity projects.

The fund, according to HIDCL CEO Deepak Rauniyar, will operate in a similar manner as a mutual fund, meaning investors will have to share profits and losses equally based on performance of the hydro project.

"Initially, we are planning to pool around \$50 million (approximately Rs five billion) from institutional investors, both domestic and foreign. Once this is successful, we will allow the public to participate in the scheme," said Rauniyar, adding, "The purpose behind targeting only institutional investors in the first phase is to build our reputation in the market and instil confidence in the public so that they can trust us with their money."

The money collected via this means will be used to become equity partners in various hydropower projects. "We hope the investment vehicle will also serve the purpose of retirement schemes for people as a return of around 20 per cent can be expected from hydro projects once they clear off the debt," Rauniyar said, without revealing when the fund would be launched.

The ambitious plan of HIDCL — a special purpose vehicle created to extend credit to hydroelectricity project and power transmission line developers — comes at a time when it has not been able to utilise several billion rupees of funds collected from its shareholders.

The company had raised Rs five billion from the government and Rs one billion each from Employees Provident Fund, Rastriya Beema Sansthan and Citizen Investment Trust at the time of its establishment in July, 2011.

Of this amount, close to Rs one billion is being extended as loan to 42-megawatt Mistri Khola hydroelectric project being developed by Robust Energy, and another Rs 500 million in credit is being given to 27MW Dordi Khola hydroelectric project being developed by Himalayan Power Partner Private Limited.

Recently, HIDCL has also entered into agreement with the International Development Association (IDA) of the World Bank Group, the government and Kabeli Energy Limited to channel \$40 million being extended by the IDA to build 37.6MW Kabeli 'A' hydroelectric project through it.

Also, HIDCL has agreed on extending a loan of Rs 200 million to 23.5MW Solu Khola hydroelectric project and another loan of Rs 400 million to 30MW Khani Khola hydroelectric project.

"With all these commitments, we are close to extending a credit of around Rs two billion to various hydro projects," said Rauniyar, who took the reins of HIDCL around 15 months ago.

This means HIDCL still has an idle fund of around Rs six billion.

"We hope this fund will be utilised in the coming days as the investment climate is expected to improve," said Rauniyar, justifying the need to raise additional money through the 'equity fund'.

Source: The Himalayan Times; 12 February, 2014

WB interested in Upper Arun hydro project

Himalayan News Service Bhojpur, February 11

World bank officials based in Nepal today showed interest in investing in the Upper Arun Hydro Power Project in Sankhuwasabha.

A team led by a CA member Tara Man Gurung of Sankhuwasabha-2 reached the World Bank's contact office in Kathmandu today and requested investment in the project. He said officials, at a meeting with the team, had shown interest.

Gurung thanked the energy expert Rabin Shrestha of the WB and internal af

fairs chief Rajiv Upadhaya for WB's interest in construction of the project and requested them to carry out the Detailed Project Report (DPR) soon.

The officials said they were interested in investing in the project as it was cheap.

A team of WB officials and high officials from Nepal Electricity Authority had carried out an aerial inspection of the site last Wednesday. The project has a capacity of 335 MW. Earlier, NEA had requested WB to the invest in the project.

