

# IPO Analysis

## IPO Analysis



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

## 1. Company Overview

Hydroelectricity Investment & Development Company Limited (HIDCL) commenced its operation since 11<sup>th</sup> July 2011 at Kathmandu District Development Committee as focused investment and development institutions that functions on mobilizing funds from domestic and international financial institutions and markets to cater to the demand of investment in middle to mega hydroelectricity generation, transmission and distribution projects.

### Exhibit 1: Company Summary

<b>Name of Company:</b>	Hydroelectricity Investment and Development Company Limited	
<b>Date of Establishment:</b>	11th July, 2011	
<b>Ownership structure:</b>	Government of Nepal	50%
	State Owned Companies	30%
	General Public Offering (in approach)	20%
<b>Authorized Capital:</b>	Rs. 50 billion	
<b>Issued Capital:</b>	Rs. 10 billion	
<b>Paidup Capital:</b>	Rs. 8 billion	
<b>Additional Capital Req.:</b>	Rs. 2 billion	(from IPO)
<b>Total Ordinary shares to be issued:</b>	2,00,00,000 units	
<b>Min. shares to be applied:</b>	50 units	
<b>Max. shares to applied:</b>	50,00,000 units	
<b>Face value:</b>	Rs.100	
<b>Opening Date:</b>	Kartik 12, 2072	
<b>Early Closing Date:</b>	Kartik 16, 2072	
<b>Lately Closing Date:</b>	Kartik 29, 2072	
<b>ICRA Nepal Grading:</b>	'(ICRANP) IPO Grade 3' indicating average fundamental	

The company has till to date co-financed a total of six hydropower projects with capacity ranging from 23.5 MW to 82 MW. HDICL has wholly owned subsidiary (Remit Hydro Ltd) and also holds 14% Equity in Power Transmission Company Nepal. The upcoming IPO of the company is also considered as the second largest IPO of the country.

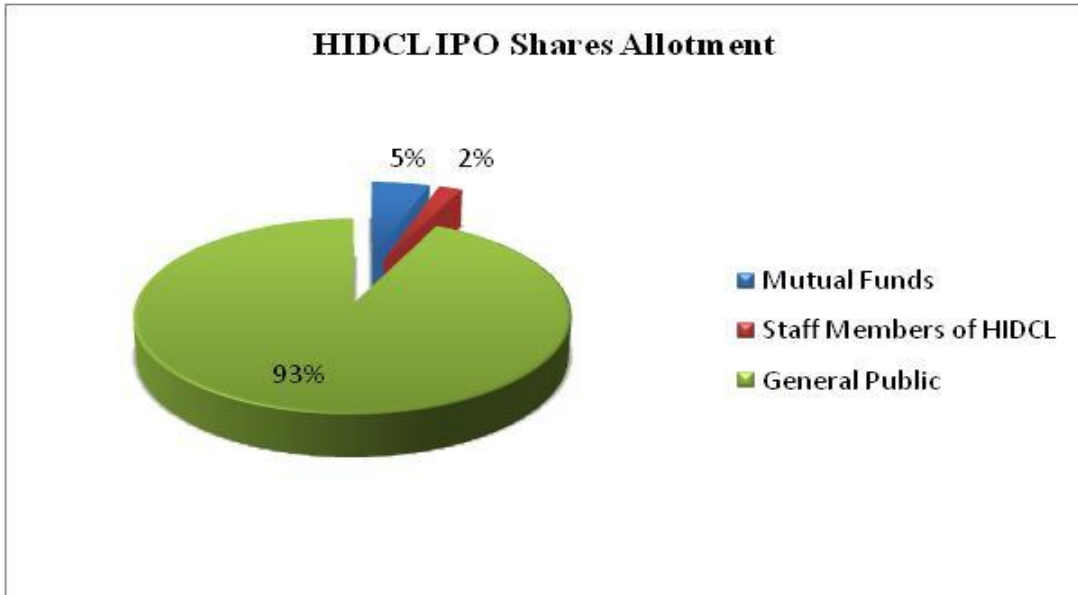
## 2. Company's Major Objectives

- To invest exclusively in hydropower projects
- To issue financial instruments such as bonds, debentures, and certificate of deposit for long term capital mobilization.
- To invest only in middle and mega hydropower generation projects

25 MW and above projects	At least Rs. 250 million
15-25 MW	At most Rs. 200 million
10-15 MW	Refinancing facilities

3. Company's Share Allotment approach:

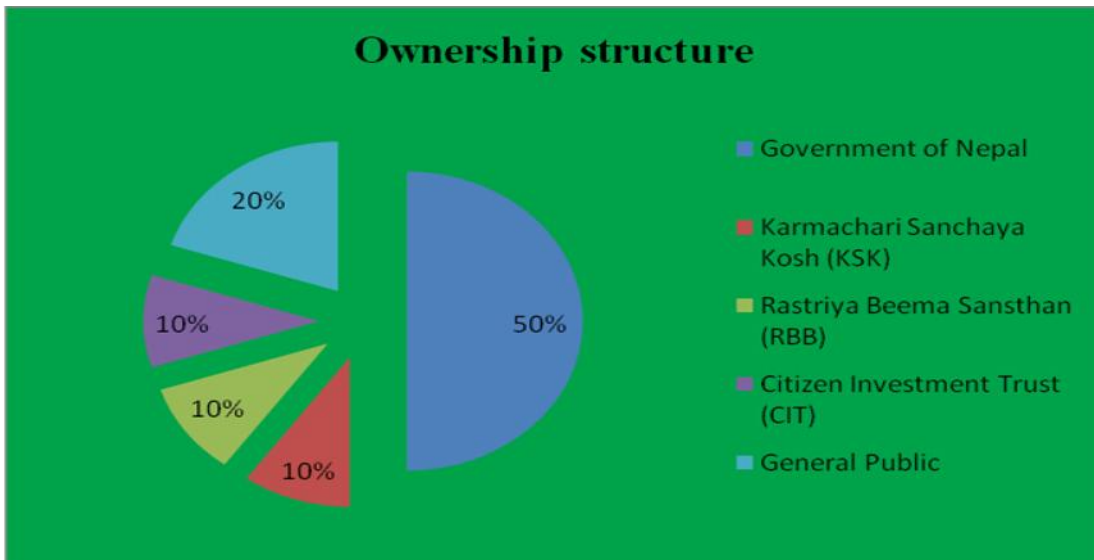
Chart 1: HIDCL IPO Share Allotment:



4. Ownership Structure and Company's Management

i. Ownership Structure:

Chart 2: HIDCL Ownership Structure:



ii. Board of Directors Details:

Names	Designation	Qualification	Contact Details
Mr. Rajendra Kishore kshatri	Secretary, Ministry of Energy	Master of Laws (LLM), International Business, Trade, and Tax Law, University of Brussels	<a href="tel:977-1-4211516">977-1-4211516</a>
<b>Work Experience:</b>	<p>Secretary in Ministry of Energy: May 2004-Present (1 year 6 months).</p> <p>Nepal Law Commission: July 2012 – May 2014 (1 year 11 months)</p> <p>Joint Secretary: Ministry of Energy, Government of Nepal (Nov 2009-Feb 2012)</p> <p>Executive Director: Water and Energy Commission (5 years)</p> <p>Legal Advisor: Parliament Secretariat (Nov 1999- Jan 2004)</p>		
Mr. Navaraj Bhandari	Joint Secretary, Ministry of Finance		<a href="tel:977-1-4211326">977-1-4211326</a>
Mr. Udaya Raj Sapkota	Joint Secretary, Ministry of Law, Justice, Contituent Assembly & Parliamentary Affairs	Master in Law	
<b>Work Experience:</b>	<p>More than 20 years of experience in government service in varoius Ministries. Obtained various training relating to regultion on Energy and Water Resources sector in India, USA, Italy, Norway etc.Worked as a member of Steering Committee in the various projects including Sapta Koshi High dam Project Involved in Bilateral negotiation with various countries. Member of a PDA negotiation team of the Ministry.Participated and presented various papers on Energy and Water Resources sector programmes.</p>		
Mr. Ashiwni Kumar Thakur	Administrator, Rastriya Beema Sansthan		
Mr. Parakram sharma	Independent Director		
Mr. Meg Bahadur Bishwakarma	General Manager, Hydro Lab Pvt Ltd.	Ph.D., Norwegian University of Science and Technology	

**iii. Chief Executive Officer (CEO):**

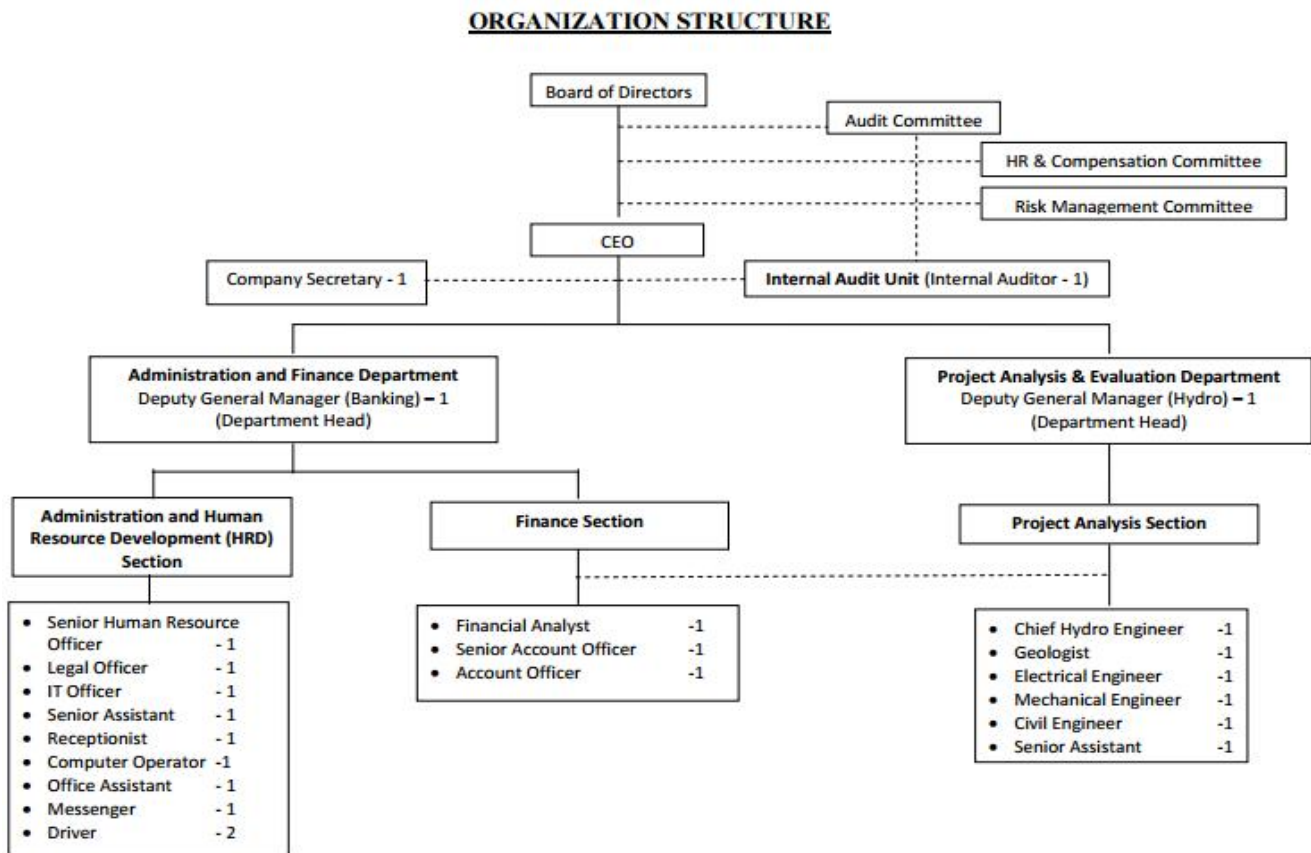
The company’s overall management is headed by Mr. Deepak Rauniar as CEO of the company. He holds more than 8 years of professional experience in Nepal and abroad. His work exposures and position includes expertise in high profile roles such as BOD member, Executive Management and Consultant level experiences.



He served as Deputy Chief Officer at Employee Provident Fund, Nepal and also held the representation in the Board of Clean Energy Development Bank as BOD since 2008.

Mr. Rauniar holds a MBA -Executive degree from Pokhara University (Ace College of Management), Nepal and a Master of Computing (Research) degree from Monsah University, Australia. He also holds a Bachelor of Engineering degree in Computer Science and Engineering degree from BUET, Bangladesh.

**5. Organization Structure**



## 6. Capital Structure and Financial Analysis

### a. Capital Structure

The company's Capital structure includes Rs. 50 billion of Authorized Share Capital and Rs. 10 billion of issued Capital.

Share Capital		Rs in Billion
<b>Authorized Capital</b>		<b>50</b>
<b>Issued Capital (100000000 units of shares @ Rs. 100 each)</b>		<b>10</b>
<b>Paid Up Capital:</b>		
Government of Nepal	5	
Karmachari Sanchaya Kosh (KSK)	1	
Rastriya Beema Sansthan (RBB)	1	
Citizen Investment Trust (CIT)	1	
<b>Current Paid Up Capital</b>		<b>8</b>
<b>Required Paid Up:</b> General Public (20000000 units of shares @ Rs. 100 each)		2
<b>*Total Paid Up Capital</b>		<b>10</b>

\* After Initial Public Offering (IPO)

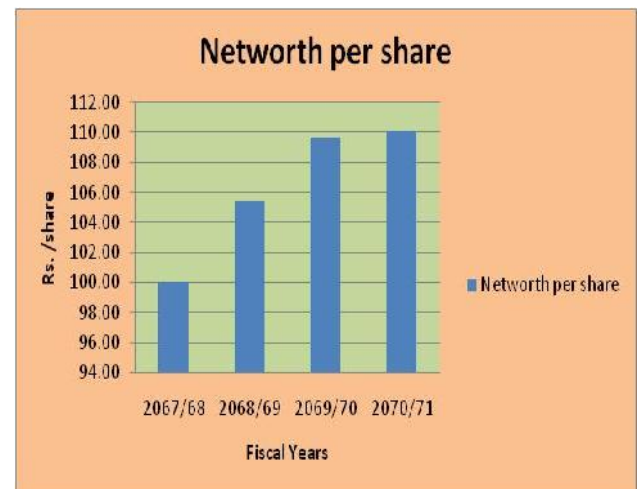
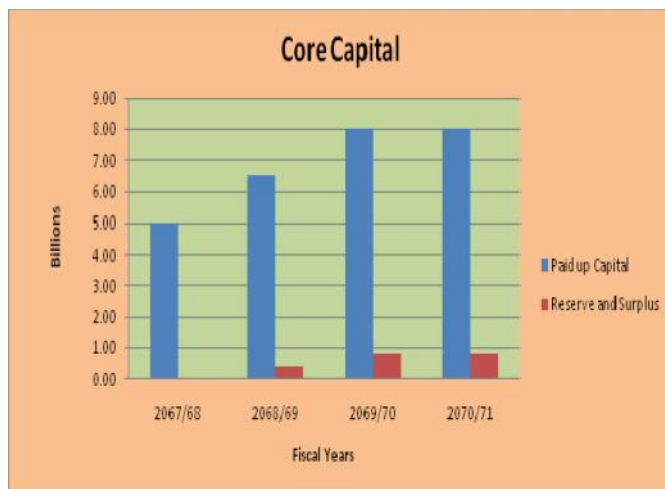
### b. Financial Highlights

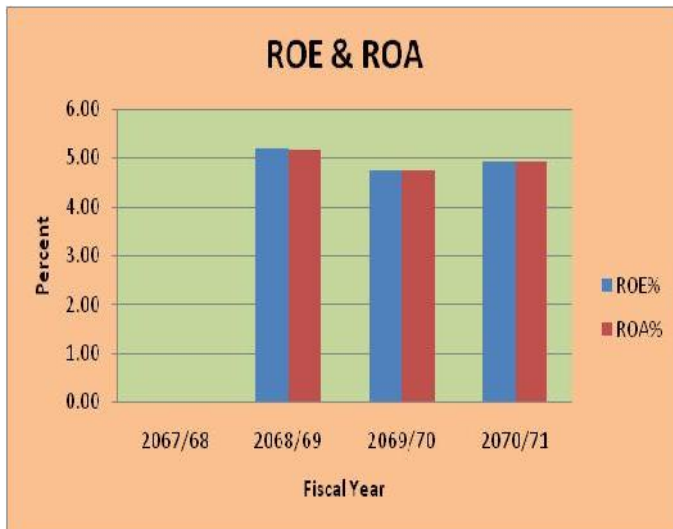
Particulars	2067/68	2068/69	2069/70	2070/71
Paid up Capital	5,000,000,000.00	6,500,000,000.00	8,000,000,000.00	8,000,000,000.00
Reserve and Surplus	0.00	355,219,623.35	772,722,178.19	806,175,796.58
Core Capital	5000000000.00	6855219623.35	8772722178.19	8806175796.58
Total Liabilities	0.00	31399700.30	18746912.84	5404020.80
Total Assets	5,000,000,000.00	6,886,619,323.65	8,791,469,091.03	8,811,579,817.38
Total Deposits	0.00	0.00	0.00	0.00
Loans and Advances	0.00	0.00	0.00	0.00
Fixed Assets	0.00	4,690,980.20	9,350,045.42	9,350,045.42
Current Assets	5,000,000,000.00	6,868,912,517.80	8,769,240,549.84	8,762,642,277.13
Current Liabilities	0.00	31,399,700.30	19,960,523.06	5,240,314.13
Operating Profit	0.00	507,456,604.35	602,230,720.44	619,221,533.44
Net Income	0.00	355219623.35	417502554.64	433453618.39

**c. Financial Ratios**

Profitability Ratio	2067/68	2068/69	2069/70	2070/71
Net Profit Margin(Net Profit After Tax / Total Operating Income)%	0.00	68.80	67.68	67.54
ROE%	0.00	5.18	4.76	4.92
ROA%	0.00	5.16	4.75	4.92
Market Ratios				
EPS	0.00	5.46	5.22	5.42
EPS Growth	0.00	0.00	-3.50	4.82
Networth per share	100.00	105.46	109.66	110.08
Liquidity Ratio				
Current Ratio	0	218.76	439.33	1672.16

**Financial Charts**





## 7. Conclusion:

- The company fundamental indicators are found to be strong indicating that the company has immense potential to grow in future.
- The capital structure of the company shows it is 100 percent equity financing which exhibits low leverage and lower risky firm (no debt obligation).
- The balance sheet of the company reflects huge amount of inoperative capital rather mobilizing fund in relevant sectors of investment.
- The current ratio depicts the firm is hoarding huge cash in the form of bank balance and securing high interest income which has been the major source of income.
- Although financial ratios indicate the healthy status of the firm, lagging in utilization of fund signals less effort towards timely completion of projects.
- Net worth per share for successive three fiscal years highlights 10 percent growth.
- 50 percent of pure Government stake in company has been the major competitive edge.
- The company has established major financial institutions as its equity partners.
- EPS of the company is average around Rs. 5.
- The company has high potential to grow with the full fledged utilization of reserved fund plus newly raised fund through IPO. Hence, the share price seems to be listed double the face value. i.e. approx. Rs. 200 within 6 months. Further, it will rise with future growth of the company.