

IPO Issue Snapshot:

Issue Details:

Issue Type	IPO
Issue Size	9,73,737 units
Issue Price per share	Rs. 100
Issue Open Date	2016-04-03 (2072/12/21)
Early Close Date	2016-04-06 (2072/12/24)
Late Close Date	2016-04-17 (2072/01/05)
Issue Manager	NIBL Capital Market Ltd
ICRA Grading	4 plus
Min. to apply:	50 units
Max. to apply:	50000 units

Company Synopsis:

Company Category	Hydropower	
Ownership Structure	Public Limited	
Current Shareholdings	Promoter Shares	87.50%
	General Public (Lamjung)	12.50%
	General Public (including Employees)	-

1. Company Overview:

Ngadi Group Power Ltd initially incorporated under Company Act 2063 as private limited company on 2062/11/09 B.S. Later on 2071/02/25 with the objective to embrace mass participation of public and enhance the growth of hydro electricity generation in project affected province, the company converted into public limited company.

Currently, altogether 92 promoters are actively involved with the company. They belong to different sectors and profession such as Hydropower, Nepal Electricity Authority, Banks and Financial Institutions (BFIs), Health, Education, Trade and Business. As per the Memorandum of the Company, shareholders pattern has been classified into two groups:

Group "Ka": - which refers to group of promoters

Group "Kha": - which refers to local or general public of province and employees.

2. Objectives of Issue

The major object of the offer is to raise the fund to invest and run the exiting 4950 KW Siuri Khola Hydropower project situated in Bhulbhule VDC of Lamjung District, which began commercial operation from mid-oct 2012.

To meet the financial need to operate Super Nyadi Hydropower Project with the installed capacity of 40.27 MW also located in Lamjung District.

To dilute the promoter shareholding structure from existing 87.50% to 70% where 10% has been offered to project affected local inhabitants and remaining 20% shall be offered to General Public and employees through this IPO and increase their participation in hydroelectricity projects.

To settle the loan taken from banks.

3. Company's Future Plans:

The core objective of the company for which it came into existence is to explore the potential of extensive water resources available in various region of Nepal to build and operate the small and large scale hydropower projects generating electricity to fulfill the demand of local consumers and mitigate the hydro energy crisis of the nation.

- To study and research on the possibility of building hydro energy project; and production and supply of electricity to local inhabitants and by selling to Nepal Electricity Authority.
- To promote the infrastructural development such as roads, transports, communication and installation of electricity transmission lines in align with the development of hydro electricity projects.
- To purchase/supply all the necessary resources for hydro energy production such as plants and machineries, equipments, vehicles, tools and other items.
- To generate the employment opportunities for the local and others and help in alleviating the poverty percentage of nation.
- To conduct research on other sources of generating electricity such as solar and wind in addition to water source.

4. Shareholding Pattern/ Ownership Structure:

Company's Share Capital Structure



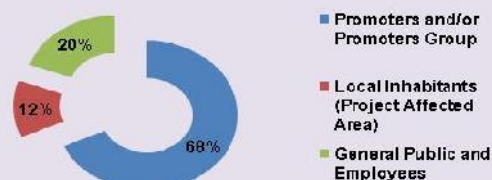
	Existing	Post Issue
Paid Up Capital (Existing) (3894943 @100)	389494300	486868000
Issued Capital (4868680 units @ Rs. 100)	486868000	486868000
Authorized Capital (6,670,000 units @ Rs.100)	667000000	667000000

Shareholding Pattern	Pre-Issue	Post Issue
Promoters and/or Promoters Group	340807500	340807500
Local Inhabitants (Project Affected Area)	48686800	61200000
General Public and Employees		97373700

Pre-Issue



Post Issue



The above charts enumerate the changes that will occur after IPO issue. The bank's existing share capital structure is consisting only Promoter shares which occupies 87 percent of total paid up Capital. As per the Company Memorandum, it has decided to offer 4,86,868 units to local inhabitants which it has already allotted on 2072/09/04 and issuing 9,73,737 units of shares to General Public (including staffs) which will convert the existing share capital structure in 68:12:20 ratios representing Promoter, Local Inhabitants and General Public (including staffs) respectively.

5. Board of Directors Details

S.n	Name & Address	Designation	Age	Nationality	No. of Shareholding	Qualification	Work Experience
1	Bhogendra Kumar Guragain (Representative of Highland Holdings Pvt. Ltd.)	Executive Chairperson	57	Nepali	10,000	MBBS/ M Sc.	Founder director at Sunrise Bank Ltd. He has had 8 years of experience in the banking industry. He is also a director in Barun Hydropower Company Ltd. and Executive Chairman at SN Power Pvt. Ltd...
2	Sailendra Guragain (Representative of Riverfalls Hydropower Development Pvt.)	Managing Director	49	Nepali	1,000	M.Sc. in Engineering / M.B.A.)	Has being engaged in hydropower and financial sectors for more than 20 years Director of SN Power Pvt. Ltd. and Riverfalls Hydropower Development Pvt. Ltd. Vice president of Independent Power Producers' Association Nepal (IPPN) and member at FNCCI, Nepal Engineers' Association and Nepal Engineering Council.
3	Dinesh Gurung,	Director	42	Nepali	1,15,000	Bachelor	Experiences in banking and real estate sector of Nepal for 10 years.
4	Rabin Subedi	Director	27	Nepali	4,588	Bachelor	Has gained 7 years of experiences in Management Field

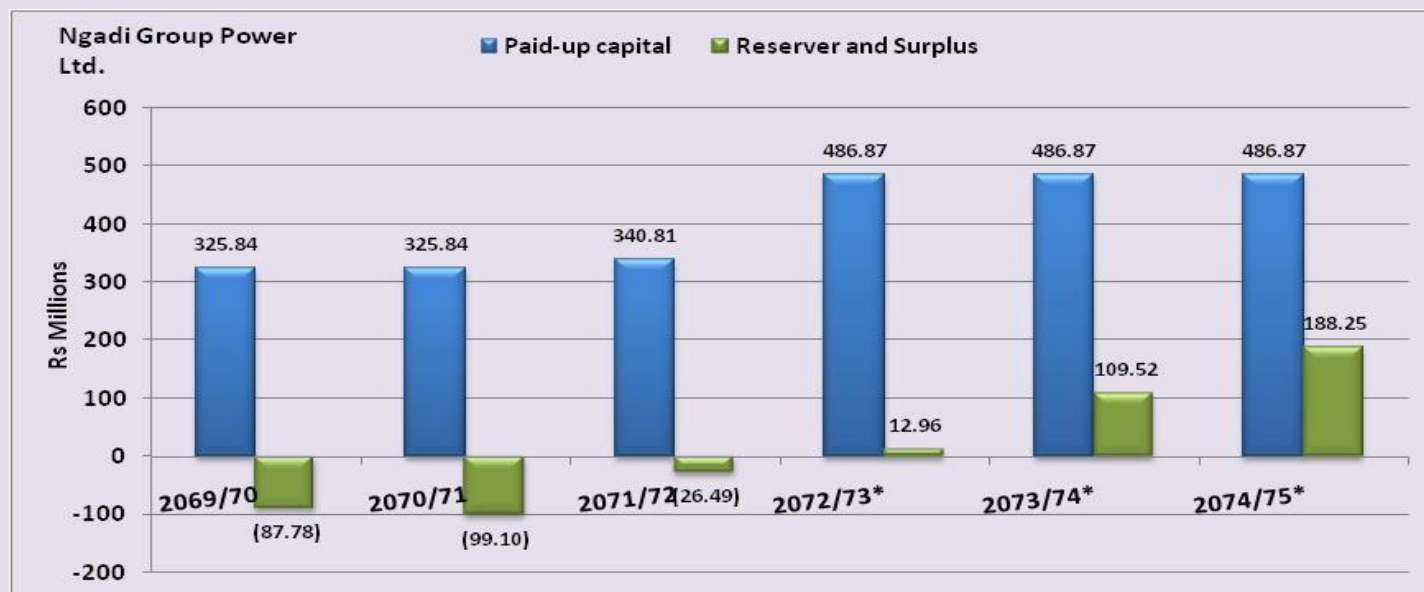
6. Financial Summary of the Bank

Particular	Actual			Forecasted		
	FY 2069/70	FY 2070/71	FY 2071/72	FY 2072/73*	FY 2073/74*	FY 2074/75*
Paid-up capital	325,841,000.00	325,841,000.00	340,808,000.00	486,868,000.00	486,868,000.00	486,868,000.00
Reserve and Surplus	(87,775,000.00)	(99,104,000.00)	(26,493,000.00)	12,960,000.00	109,515,000.00	188,250,000.00
Net Worth	238,066,000.00	226,737,000.00	314,315,000.00	499,828,000.00	596,383,000.00	675,118,000.00
Long-term Loan	634,560,000.00	618,660,000.00	593,160,000.00	393,160,000.00	293,160,000.00	218,160,000.00
Total Debt	676,355,000.00	657,546,000.00	614,216,000.00	404,517,000.00	306,391,000.00	250,680,000.00
Current Liabilities	41,795,000.00	38,886,000.00	21,056,000.00	11,357,000.00	13,231,000.00	32,520,000.00
Current Assets	13,581,000.00	12,374,000.00	52,247,000.00	50,085,000.00	77,548,000.00	129,565,000.00
Net Current Assets	(28,214,000.00)	(26,512,000.00)	31,191,000.00	38,728,000.00	64,317,000.00	97,045,000.00
Total Assets	914,421,000.00	884,283,000.00	928,531,000.00	904,345,000.00	902,774,000.00	925,798,000.00
Investments	-	-	32,939,000.00	40,000,000.00	40,000,000.00	40,000,000.00
Operating Income	60,804,000.00	106,582,000.00	179,967,000.00	192,219,000.00	197,565,000.00	202,931,000.00
Gross profit	59,088,000.00	93,513,000.00	164,522,000.00	176,057,000.00	180,846,000.00	185,632,000.00
Operating Profit	16,276,000.00	85,201,000.00	158,197,000.00	117,706,000.00	166,157,000.00	139,588,000.00
Net Profit	(73,911,000.00)	(11,330,000.00)	72,611,000.00	39,453,000.00	96,555,000.00	78,736,000.00
Proposed Dividend	-	-	-	-	-	-
Retained Earning	(73,911,000.00)	(11,330,000.00)	72,611,000.00	39,453,000.00	96,555,000.00	78,736,000.00

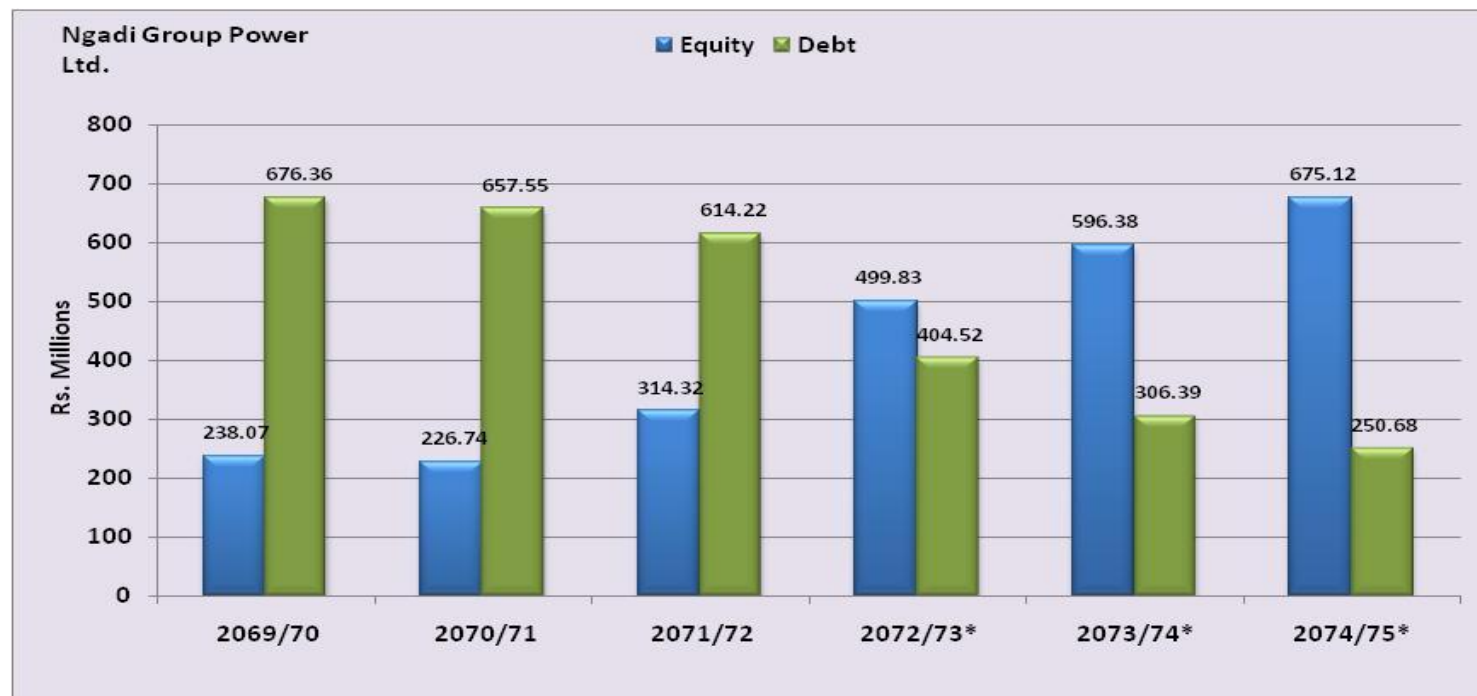
7. Financial Key Indicators:

Financial Ratios	Actual			Forecasted		
	FY 2069/70	FY 2070/71	FY 2071/72	FY 2072/73*	FY 2073/74*	FY 2074/75*
Profitability Ratio						
Net Profit Margin(Net Profit After Tax / Total Operating Income)%	-121.56%	-10.63%	40.35%	20.53%	48.87%	38.80%
ROE%	-31.05%	-5.00%	23.10%	7.89%	16.19%	11.66%
ROA%	-8.08%	-1.28%	7.82%	4.36%	10.70%	8.50%
Market Ratios						
EPS	-22.68	-3.48	21.31	8.10	19.83	16.17
Net worth per share	73.06	69.59	92.23	102.66	122.49	138.67
Dividend Payout Ratio (Dividend/Net profit)	0.00	0.00	0.00	0.00	0.00	0.00
Debt Ratio						
Debt/Equity Ratio	2.84	2.90	1.95	0.81	0.51	0.37
Liquidity Ratio						
Current Ratio	0.32	0.32	2.48	4.41	5.86	3.98

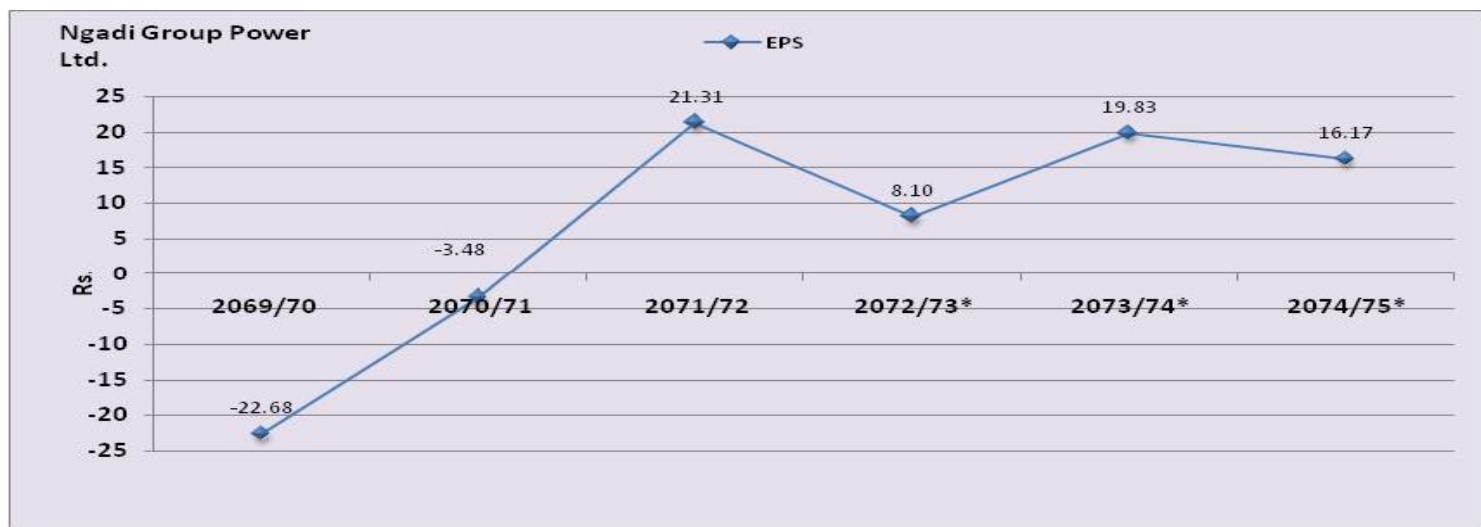
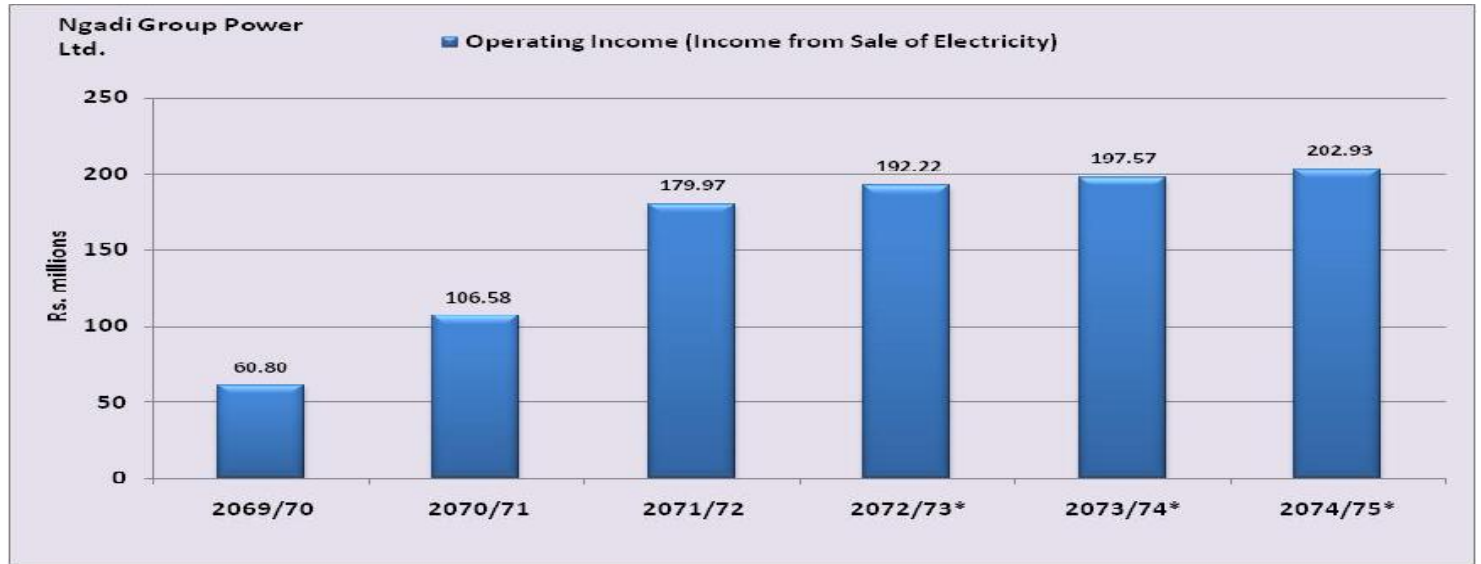
9. Financial Charts



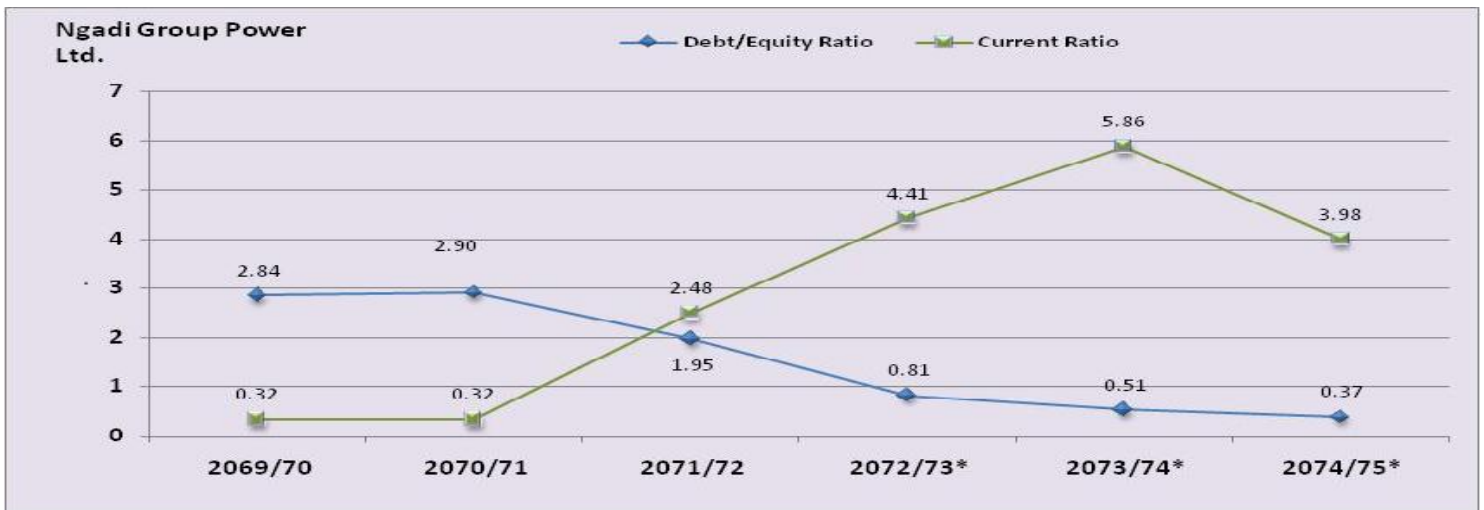
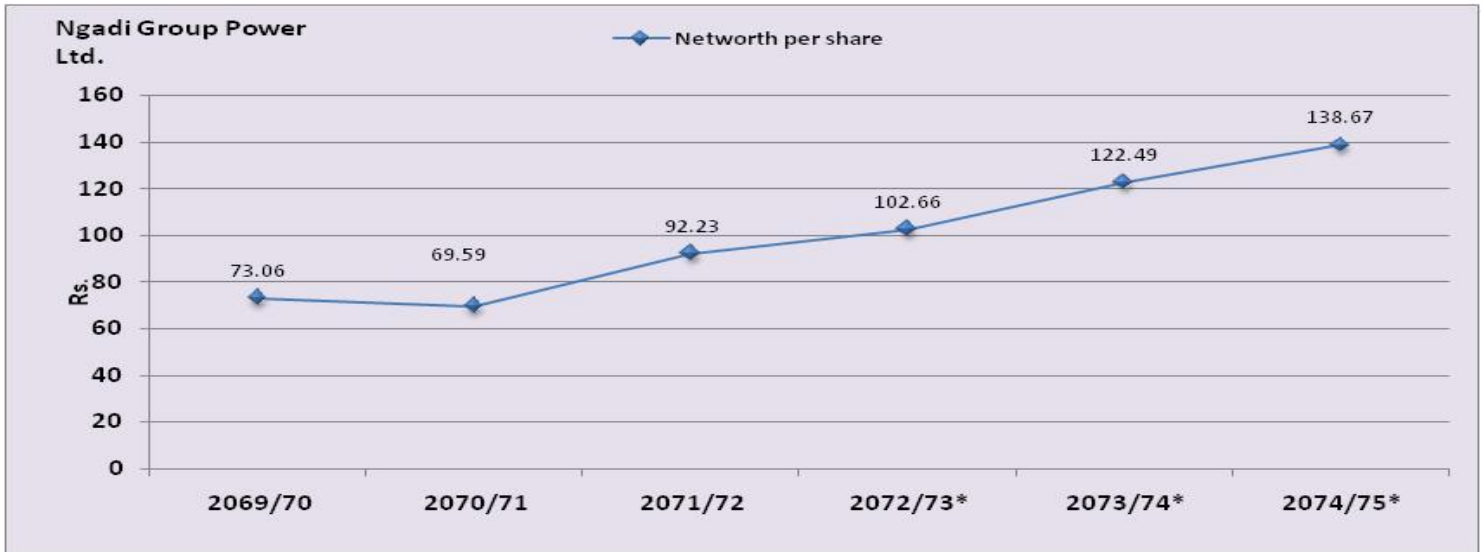
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10. Overall Opinion:

Management & Governance:

- The company has been governed by reputed group of Board members who are also being engaged with hydropower, real estate and banking sectors. Similarly, Managing Director of the company has been experienced and qualified professional. Hence, considering their business acumens and expertise in the sector or industry, it is expected that the company will be directed to growth as soon as possible.

Financial Analysis:

- The company fundamental indicators are found to be average indicating that the company has moderate growth prospect in future.
- In FY 2071-72, the company was able to generate net profit of 72.61 million and gross income from the sale of electricity accounts for 179.96 million making the net profit margin of 40.35% which was great improvement compare to FY 2069-70 and FY 2070-71 which accounts for -121.56% and -10.56%.
- Although the company expects to generate gross income of Rs.192.21 from sale of electricity in FY 2072-73, there is gradual decline in net profit from 72.61 million to 39.45 million due to tremendous increase (300%) in administrative expenses in FY 2072-73. However, the company forecasted to decline its administrative expenses to normal level in FY 2073-74 and FY 2074-75.
- Return on equity (ROE) was found to be -31.05% and -5% in the FY 2069-70 and 2070-71 respectively. But, it surged to 23.10% in the FY 2071-72 due to rise in net profit with same level of shareholder's equity. However, the ROE seems to be diluted in FY 2072-73 due to added new share capital without considerable increase in net profit. The forecasted ROE of company seems to remain below 20% for upcoming consecutive three years.
- Return on Assets (ROA) surged to 7.82% in FY 2071-72 which was -10.63% in FY 2070-71, however it is expected to decrease in FY 2072-73 due to decrease in net profit with same level of assets.
- Earnings per share (ROE) are anticipated to hover around 16 % to 20% in upcoming years except in FY 2072-73.
- Net worth per share expect be reached at Rs. 102.66/ share at the end of FY 2072-73 and Rs. 138.67 at the end of FY 2074-75 which highlights 12% to 18% growth rate.
- The Company had Rs.593.1 million of outstanding term loans payable to the consortium banks for FY 2014-15; corresponding to a gearing ratio of 1.95 times. Debt servicing remains good for the company as the debt to equity ratio is gradually decreasing trend which put company at low risk (Low Leverage).
- The increasing trend of current ratio depicts that the company is improving its ability to pay short-term and long-term obligations.
- The current IPO fund is likely to be used towards the repayment of long term bank borrowings of company as the balance depicts to balance the leverage. And the return to the shareholders of company is likely to build only from the revenue generated by Siuri Khola Hydro electricity project.
- The company has not disclosed any cash and stock dividend plan as forecasted by balance sheet and income statement.
- Considering the business size, market share and financial position of the institution, the stock is more likely to classify into small-cap side, which exhibit the characteristics of high volatility and riskiness in relation to market condition. This type of Hydropower Company produces stagnant profit unless it advances to new project venture. However, IPO investment in Nepalese context is quite attractive and supply side constraint with sound financial health and new project venture may trigger the price high in near future.

Recommendation: Ngadi Group Power Ltd. IPO turns IDEAL for investor considering the net worth per share of the company, for which it is expected to list at price between 200-275 however the appreciation further depend on the ability to run its current and future hydro projects successfully.