

Butwal Power Company Limited

Buddha Nagar, Kathmandu, Nepal



UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER, FISCAL YEAR 2080/81 ENDED 30TH ASHWIN 2080 (17TH OCTOBER 2023)

Statement Of Financial Position	Figures in NPR'000		
	This Quarter Ending Ashwin end 2080	Previous Quarter Ending Asadh end 2080	Corresponding Previous Year Quarter Ending Ashwin end 2079 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	269,423	272,393	280,815
Capital work-in-progress	2,365	28,789	8,657
Intangible assets	1,836,052	1,813,572	1,875,274
Project work-in-progress	347,569	339,260	308,581
Financial assets	4,080,982	3,939,557	3,506,776
Other non-current assets	1,569	233	-
Total Non-Current Assets	6,537,960	6,393,804	5,980,103
Current Assets			
Inventories	56,155	74,669	60,583
Trade receivables	119,021	71,583	122,999
Cash and cash equivalents	106,569	64,179	243,673
Other Financial assets	830,401	959,362	1,257,161
Other current assets	11,740	15,845	11,654
Current tax assets (net)	-	1,274	-
Total Current Assets	1,123,886	1,186,912	1,696,070
Total Assets	7,661,846	7,580,716	7,676,173
EQUITY AND LIABILITIES			
Equity			
Equity share capital	3,409,065	3,409,065	3,246,327
Other equity	3,642,724	3,582,891	3,807,754
Total Equity	7,051,789	6,991,956	7,054,081
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	173,136	175,148	181,036
Financial liabilities	75,909	79,659	90,909
Provisions	22,082	22,950	23,858
Deferred tax	160,021	145,061	139,865
Other non-current liabilities	19,394	19,394	20,450
Total Non-Current Liabilities	450,542	442,212	456,118
Current Liabilities			
Trade payables	5,965	15,483	5,495
Other Financial liabilities	50,060	43,766	49,700
Provisions	3,864	2,691	2,796
Other current liabilities	85,962	84,608	87,345
Current tax liabilities (net)	13,664	-	20,638
Total Current Liabilities	159,515	146,548	165,974
Total Liabilities	610,057	588,760	622,092
Total Equity and Liabilities	7,661,846	7,580,716	7,676,173

Statement of Profit or Loss and other Comprehensive Income	Figures in NPR'000		
	This Quarter Ending Ashwin end 2080	Previous Quarter Ending Ashadh end 2080	Corresponding Previous Year Quarter Ending Aswin end 2079
Revenue	210,530	724,417	214,455
Cost of Sales			
Generation Expenses	(68,358)	(296,248)	(69,805)
Distribution Expenses	(35,048)	(135,272)	(36,473)
Gross profit	107,124	292,897	108,177
Depreciation Being Revenue Portion of Grant Aid	2,013	7,900	2,013
Other income	8,048	80,423	7,165
Administrative and other operating expenses	(31,602)	(135,612)	(31,988)
Profit from Operation	85,583	245,608	85,367
Finance Income	14,210	103,467	28,490
Finance Costs	(2,749)	(11,467)	(3,320)
Profit Before Tax	97,044	337,608	110,537
Income Tax Expense	(21,906)	(70,279)	(24,651)
Profit for the year	75,138	267,329	85,886
Other comprehensive gain/(loss) for the year, net of tax	5,599	(513)	-
Total Comprehensive gain/(loss) for the year, net of tax	80,737	266,816	85,886

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Buddha Nagar, Kathmandu, Nepal



FIRST QUARTER DISCLOSURE AS OF 30TH ASHWIN 2080 (17TH OCTOBER 2023) AS PER SECURITIES REGISTRATION AND ISSUANCE REGULATION ANNEXURE -14 (Related to Sub regulation 1 of Regulation 26)

1 FINANCIAL STATEMENTS

- The financial statements for the first quarter have been published as a part of this report.

Transactions with related parties: Business transactions were conducted with related parties at arm's length in line with section 93 (3.c) of the Company Act. BPC purchased services of worth NPR 1,309,465 from Nepal Hydro & Electric Limited, NPR 142,212 from Mercantile Communication Pvt. Ltd., NPR 16,140 from Beltron Trading Pvt. Ltd., and advances provided NPR 122,770,000 to Kabeli Energy Limited, NPR 7,230,000 to Gurans Energy Limited during the period of first quarter

Key Financial Ratios at the end of the quarter:

Period	Earning per Share (Quarterly)	Net worth per share	Current Ratio (Times)	P/E Ratio (Times)	Return on Assets
This year quarter end	Rs. 2.20	Rs. 206.85	7.05	134.68	0.98%
Previous quarter end	Rs. 7.84	Rs. 204.94	8.10	42.16	3.53%
Corresponding previous year quarter end	Rs. 2.65	Rs. 217.29	10.22	110.94	1.12%

2 MANAGEMENT ANALYSIS

Any changes in the stock, income and liquidity during the quarter and reason for change, if any :

Inventories have been kept sufficient for normal operation of power plants. Revenue from sale of electricity and services is decreased by 1.83% to NPR 210.53 million compare to corresponding period last year. Finance income decreased significantly by 50.12% due to decrease in fixed deposits at Banks. Accordingly, net profit for the period end of Ashwin 2080 is decreased by 12.52% in comparison to the corresponding period last year. Liquidity has been maintained sufficient despite the major amount is invested in the projects.

The statement of management analysis on the upcoming business plan:

Nyadi Hydropower plant (NHP) 30 MW has been in operation from Baisakh 27, 2079 through a SPV named Nyadi Hydropower Ltd (NHL) under contingency power evacuation so that the power generated from the plant is partially evacuated during wet season. Under such power evacuation plan, the construction of switching station at Upper Marsyangdi-A plant is ongoing. NHL now is listed company in NEPSE. The construction works of 37.6 MW Kabeli -A project being developed through a SPV named Kabeli Energy Limited (KEL) is ongoing. Kabeli project is being locally financed for which term sheet has already been signed and process ongoing for financial closure. The PPA of Kabeli-A has already been amended on RoR and posted rate basis. BPC in Joint Ventures with Chinese partners is undertaking 601 MW Marsyangdi Cascade Projects (MCPs). Marsyangdi Cascade Projects (MCPs) consist of 135 MW Manang Marsyangdi HEP (MMHEP), 139.2 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) and 327 MW Upper Marsyangdi-2 HEP (UM-2HEP) in Marsyangdi basin. All three projects have completed detail engineering and got approval of EIA studies. As a first project of MCPs, PPA and PDA of MMHEP has been concluded, financial closure is in the process and EPC contractor has been appointed for the construction. The construction of the project is expected to be completed by the first quarter of 2026. The PPA of MCP's second project LMMHEP as cascade project of MMHEP, has been signed with NEA on August 15, 2023 (Shrawan 30, 2080). The third project UM-2HEP has prepared DPR and submitted to IBN for approval. As a process of PPA, Energy Table locked, GIS completed and Connection Agreement for 327 MW project has been signed with NEA. A SPV for development of 7.9 MW Chino Khola Hydropower Project has been formed named Chino Hydropower Ltd. As being RoR project, the PPA of Chino is taking time. The feasibility study of Mugu Karnali HEP (MKHEP) has been completed and the project capacity has been fixed at 174 MW. Department of National Parks and Wildlife Conservation (DNWC) has granted consents for feasibility study and EIA for Mugu project as the project is located in the buffer zone of Rara National Parks. The consent on project capacity as optimized under detail feasibility study has not been granted from MOEWRI because of the license boundary overlapping with downstream project. Only after the consent is received on project capacity, EIA process can be expedited. BPC has also identified a 7 MW solar project at headworks site of Jhimruk power plant for which the survey license has been received and feasibility study has been carried out. With the current tariff rate of solar projects as proposed by NEA, the project is not feasible so waiting for feasible tariff rate to start the PPA process.

The analytical statement on the possible effect on company's profitability, stock and cashflow based on the past experience:

The company maintained steady progress on profitability and planned to invest in the projects as per plan. However, as per the PPA signed between HPL and Nepal Electricity Authority (NEA), 50% of the shares held by HPL is being divested to NEA free of cost effective from FY 2077/78 onwards including revision of PPA rate. Accordingly, this change will have impact on dividend income of the Company till for the period supported by the dividend income from other ongoing projects.

3 STATEMENT RELATING TO LEGAL ACTION

Case filed by or against the Company during the quarter, if any : Butwal Power Company Limited has filed two cases at Supreme Court against Department of Electricity Development (DOED) on royalty issue of Andhikhola Upgrading Project related to upgraded capacity of 4.3 MW and against Inland Revenue Department (IRD), Medium Level Tax Payers Office (MTPO) relating to interest claim on excess tax paid u/s 57 of the Income Tax Act, 2058.

Case filed by or against the Company or its Promoter or Director for violation of the prevailing regulation or committing the criminal offence, if any : None

Case filed against the Promoter or Director on financial crime, if any : None

4 ANALYSIS OF SHARE TRANSACTION OF THE COMPANY

- During first quarter, BPC shares were actively traded till the end of Ashwin 2080. Share prices are being determined by the open share market in NEPSE.
- The major highlights of share transactions during the quarter are as follows:

Maximum Price	Minimum Price	Closing Price	Transaction days	Total Transaction	Traded Volume	Turnover
343	293	296.3	61	5,394	546,890	172,081,269

5 PROBLEMS AND CHALLENGES

Internal

- Optimization and Retention of human resources;
- Sustainability of distribution business financially;
- Fund management for ongoing large projects.

External

- Frequent change in government policy persuading higher country risk ;
- Lengthy bureaucratic processes in development of hydropower projects;
- Inadequate rules, regulations, policies, guidelines etc. to expedite project developments;
- Fluctuating cost of capital and foreign exchange fluctuation risk;
- Floods and low water flow risk in the rivers for hydropower plants/ projects;
- Land acquisition and compensation challenges for ongoing projects;
- Inadequate existing transmission line networks and delay in its expansion for power evacuation of hydropower projects.

Strategies

- HR optimization plan is being implemented;
- Fund management and strategic investment as per the project investment plan;
- Lobbying with government authorities for investment friendly environment;
- FDIs with Project Financing and PPA in foreign currency for large projects;
- Identification of different financial instruments along with risk assessment;
- Stakeholder's engagement from planning stage of projects under development

6 CORPORATE GOVERNANCE

- The Company has regular meetings of Board of Directors and Board Committees viz Audit Committee, Risk Management Committee, Asset and Liability Committee and Finance Committee in compliance with the Corporate Governance Guidelines, 2074 issued by the Securities Board of Nepal. The Management Team meeting are also being conducted regularly. The provisions of SEBON Corporate Guidelines has been fully complied.

7 DECLARATION OF CHIEF EXECUTIVE ON TRUTH, TACTFULNESS

I, the Chief Executive Officer of this Company, take the responsibility of accuracy of the information and details mentioned in this report for the first quarter of FY 2080/81, hereby declare that the information and details provided in this report are true based on facts and complete to the best of my knowledge; and that information necessary for taking informed decision by the investors are not concealed.