

Butwal Power Company Limited

Buddha Nagar, Kathmandu, Nepal



UNAUDITED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER, FISCAL YEAR 2077/78 ENDED 31ST ASHADH 2078 (15 JULY 2021)

Figures in NPR'000

Statement Of Financial Position	This Quarter Ending Ashadh end 2078	Previous Quarter Ending Chaitra end 2077	Corresponding Previous Year Quarter Ending Ashadh end 2077 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	299,586	304,640	315,804
Capital work-in-progress	36,550	10,897	1,922
Intangible assets	1,831,159	1,816,913	1,871,187
Project work-in-progress	277,517	272,758	266,393
Financial assets	3,278,698	3,946,435	4,068,461
Other non-current assets	384	1,593	1,326
Total Non-Current Assets	5,723,894	6,353,236	6,525,093
Current Assets			
Inventories	56,002	75,266	54,037
Trade receivables	133,014	103,843	73,333
Cash and cash equivalents	519,846	378,352	54,680
Other Financial assets	1,193,634	704,588	1,139,449
Other current assets	28,879	2,619	11,305
Current tax assets (net)	20,179	46,725	8,389
Total Current Assets	1,951,554	1,311,394	1,341,193
Total Assets	7,675,447	7,664,630	7,866,285
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2,951,361	2,951,361	2,683,882
Other equity	4,047,723	3,999,181	4,345,165
Total Equity	6,999,084	6,950,542	7,029,047
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	188,286	190,203	195,809
Financial liabilities	76,187	96,825	159,134
Provisions	18,818	22,827	17,526
Deferred tax	140,925	193,453	232,613
Other non-current liabilities	24,691	25,612	24,692
Total Non-Current Liabilities	448,908	528,920	629,774
Current Liabilities			
Trade payables	38,109	3,876	20,832
Other Financial liabilities	105,468	103,014	105,207
Provisions	2,182	2,648	2,033
Other current liabilities	81,697	75,630	79,393
Total Current Liabilities	227,456	185,168	207,465
Total Liabilities	676,364	714,088	837,239
Total Equity and Liabilities	7,675,447	7,664,630	7,866,285

Figures in NPR'000

Statement of Profit or Loss and other Comprehensive Income	This Quarter Ending Ashadh end 2078	Previous Quarter Ending Chaitra end 2077	Corresponding Previous Year Quarter Ending Ashadh end 2077 (Audited)
Revenue	649,487	511,164	686,707
Cost of Sales			
Generation Expenses	(306,462)	(194,073)	(245,690)
Distribution Expenses	(117,075)	(87,595)	(119,405)
Gross profit	225,950	229,496	321,612
Depreciation Being Revenue Portion of Grant Aid	7,523	5,606	7,747
Other income	690,879	341,534	767,819
Administrative and other operating expenses	(135,029)	(93,233)	(123,339)
Impairment loss on investment	(252,052)	-	(246,302)
Profit from Operation	537,271	483,404	727,537
Finance Income	58,532	34,344	24,254
Finance Costs	(19,435)	(15,350)	(31,996)
Profit Before Tax	576,367	502,399	719,796
Income Tax Expense	(71,748)	(43,745)	11,488
Profit for the year	504,619	458,653	731,284
Other comprehensive gain/(loss) for the year, net of tax	(131,091)	(133,667)	(163,490)
Total Comprehensive gain/(loss) for the year, net of tax	373,529	324,987	567,794

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Buddha Nagar, Kathmandu, Nepal



FOURTH QUARTER DISCLOSURE AS OF 31ST ASADH 2078 (15th July 2021) 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 fourth 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 6,591,916 from Nepal Hydro & Electric Limited, NPR 142,614 from Mercantile Communication Pvt. Ltd., NPR 4,174,752 from Hydro-Consult Engineering Ltd., NPR 15,889 from BPC Services Ltd. and NPR 39,025 from Beltron Trading Pvt. Ltd. during the period of fourth 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.17.10	Rs. 237.15	8.58	29.59	6.57%
Previous quarter end	Rs.15.54	Rs. 235.50	7.08	27.35	5.98%
Corresponding previous year quarter end	Rs. 27.25	Rs. 261.90	6.46	13.17	9.30%

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 is slightly decreased being dependent on the normal waterflow and fixed rate on electricity sale to NEA as per power purchase agreement. Finance income has increased at 141.33% during the quarter as dividend pertaining to FY 2076/77 received from Himal Power Limited (HPL) and amount received from sale proceed of 77.6% of Manang Marshyangdi Hydropower Company Pvt. Ltd. shares held by BPC were placed in fixed deposits. However, net profit for the period end of Asadh 2078 has significantly decreased by 31.00% in comparison to the corresponding period of last year due to decrease in dividend income from Himal Power Limited and additional provision made for impairment loss on investment in Kabeli Energy Limited and Gurans Energy Limited. Liquidity has been maintained sufficient despite the major amount is invested in the projects.

- The statement of management analysis on the upcoming business plan:**

Construction of Nyadi Hydropower project (NHP) 30MW developed by Nyadi Hydropower Limited (NHL) is ongoing smoothly and completed 99% of the total project works till the end of fourth quarter. NHL has received the approval from SEBON for initial public offer (IPO) of its shares on Shrawan 11, 2078 and now in the process of IPO call for subscription from locals of project area and general public. Kabeli -A project 37.6 MW developed by Kabeli Energy Limited (KEL) has been suspended since last 2 years due to termination of the EPC Contract. Process for converting dollar based PPA to posted rate PPA for domestic financing has been initiated. A Ministry level committee has been formed and is working on for recommendations. The posted rate based PPA will get extended RCOD in order to meet the time requirement of remaining works. Generation license for 140 MW capacity Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) has been received. After the generation license is received, the project has been reoptimized at 139.2 MW with changes of project boundaries taking prior consents from GoN and developed as cascade project of upstream Manang Marsyangdi Hydroelectric Project (MMHEP). The connection agreement of the project has been signed with NEA and Draft PPA process is ongoing with NEA. Also, in line with re-optimization of the project, a supplementary EIA (SEIA) has been carried out and the report prepared for 139.2 MW. The SEIA report has been submitted to DOED for approval process. Similarly, The investment approval has been granted by IBN dated 2078/03/08. BPC has completed the feasibility study and EIA of its 7.9 MW Chino Khola Hydropower Project and applied for Generation License. Ministry of Forest and Environment (MOFE) has approved the EIA report on 2077/08/19. The process of obtaining Generation License is in progress and energy table with NEA for PPA process has already been signed. The process of connection agreement with NEA ongoing. Grid Impact Study (GIS) is being carried out as a process of connection agreement. Pre-feasibility study of 160 MW Mugu Karnali Hydroelectric Project has been completed. Taking consideration of most attractive option, feasibility and EIA study of Mugu Karnali Project is ongoing. The consultants for gauge installations, direct flow measurement and sediment analysis have been appointed and started works.

BPC in Joint Ventures with Chinese partners has acquired MMHEP and Upper Marsyangdi-2 HEPs (UM2HEP) with re-optimized project capacity of 135 and 327 MW respectively. Generation license of MMHEP received initially for 282 MW capacity+C19 has been reoptimized at 135 MW as a PROR project. UM2HEP has been reoptimized at 327 MW from 600 MW with a view to utilize power for domestic purpose. Ministry of Forest and Environment has approved SEIA for MMHEP on 2077/04/21 and the Power Purchase Agreement (PPA) of the project with NEA has been concluded on 2077/12/09. For UM2HEP, FDI approval has already been granted by IBN and the process for PDA negotiations is being initiated. OE Selection process completed for MMHEP and LMMHEP. Similarly, The preparations for all three projects are ongoing simultaneously in order to start the construction immediately after PPA.

- 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 shall be divested to NEA free of cost 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 a case at Supreme Court against GON, Department of Energy Developemnt (DOED) relating to royalty issue of Andhikhola Upgrading Project 4.3 MW.
- 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 fourth quarter, BPC shares were actively traded till the end of Asadh 2078. 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
590	408	506	52	48,882	7,820,717	3,978,118,248

5 PROBLEMS AND CHALLENGES

- **Internal**
 - Optimization and Retention of human resources;
 - Sustainability of distribution business financially;
 - Fund management for ongoing large projects.
- **External**
 - 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 fourth quarter of F/Y 2077/78, 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.