

Butwal Power Company Limited

Buddha Nagar, Kathmandu, Nepal



UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER, FISCAL YEAR 2076/77 ENDED 30TH ASHWIN 2076 (17 OCTOBER 2019)

Figures in NPR'000

Statement Of Financial Position	This Quarter Ending Ashwin end 2076	Previous Quarter Ending Ashadh end 2076	Corresponding Previous Year Quarter Ending Ashwin end 2075
ASSETS			
Non-Current Assets			
Property, plant and equipment	332,015	334,347	351,503
Capital work-in-progress	763	25,253	6,192
Intangible assets	1,910,162	1,880,109	1,936,238
Project work-in-progress	222,713	215,912	204,765
Financial assets	4,530,507	4,755,394	2,911,934
Other non-current assets	5,450	10,974	9,775
Total Non-Current Assets	7,001,610	7,221,989	5,420,407
Current assets			
Inventories	44,977	58,581	49,081
Trade receivables	131,846	105,002	136,879
Cash and cash equivalents	366,949	321,381	514,560
Other Financial assets	408,960	196,078	1,499,071
Other current assets	11,516	11,150	16,159
Current tax assets (net)	27,245	39,923	51,625
Total current assets	991,493	732,115	2,267,375
Total assets	7,993,103	7,954,104	7,687,782
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2,440,555	2,440,555	2,218,672
Other equity	4,530,059	4,479,729	4,395,351
Total Equity	6,970,614	6,920,284	6,614,023
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	200,685	200,999	206,681
Financial liabilities	209,435	233,517	304,218
Provisions	12,258	11,001	10,896
Deferred tax	342,158	311,237	291,433
Other non-current liabilities	27,897	27,174	24,722
Total Non-Current Liabilities	792,433	783,928	837,950
Current Liabilities			
Trade Payables	5,390	29,566	2,869
Other Financial liabilities	145,437	171,444	149,938
Provisions	1,636	852	844
Other current liabilities	77,593	48,030	82,158
Total Current Liabilities	230,056	249,892	235,809
Total Liabilities	1,022,489	1,033,820	1,073,759
Total Equity and Liabilities	7,993,103	7,954,104	7,687,782

Figures in NPR'000

Statement of Profit or Loss and other Comprehensive Income	This Quarter Ending Ashwin end 2076	Previous Quarter Ending Ashadh end 2076	Corresponding Previous Year Quarter Ending Ashwin end 2075
Revenue	207,763	683,027	199,921
Cost of Sales			
Generation Expenses	(63,555)	(259,255)	(56,032)
Distribution Expenses	(30,614)	(129,134)	(27,227)
Gross profit	113,594	294,638	116,662
Depreciation Being Revenue Portion of Grant Aid	1,974	7,576	1,894
Other income	5,290	610,983	4,943
Administrative and other operating expenses	(30,076)	(183,668)	(32,986)
Impairment loss on investment	-	-	-
Profit from Operation	90,782	729,529	90,513
Finance Income	8,491	151,540	50,645
Finance Costs	(8,603)	(41,624)	(12,118)
Profit Before Tax	90,670	839,445	129,040
Income Tax Expense	(21,337)	(61,235)	(25,214)
Profit for the year	69,333	778,210	103,826
Other comprehensive gain/(loss) for the year, net of tax	-	31,224	-
Total Comprehensive gain/(loss) for the year, net of tax	69,333	809,434	103,826

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FIRST QUARTER DISCLOSURE AS OF 30th Ashwin 2076 (17th October 2019) AS PER SECURITIES REGISTRATION AND ISSUANCE REGULATION Annexure -14 (Related to Sub regulation 1 of Regulation 26)

I 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 100,965 from Mercantile Communication Pvt. Ltd., NPR 5,250 from BPC Service Limited, NPR 56,737 from Syakar Trading Co. Pvt. Ltd., NPR 1,010,378 from Nepal Hydro & Electric Limited and NPR 140,931 from Hydro-Lab Pvt. Limited.
- Key Financial Ratios at the end of the quarter;**

Period	Earning per Share (Quarterly)	Net worth per share	Current Ratio	P/E Ratio (Annualized)	Return on Assets
This year quarter end	Rs. 2.84	Rs. 285.62	4.31	32.04	0.87%
Previous quarter end	Rs. 31.89	Rs. 283.55	2.93	12.83	9.78%
Corresponding previous year quarter end	Rs. 4.68	Rs. 298.11	9.62	25.48	1.35%

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 income is consistent being dependent on the normal waterflow and power purchase agreement. Finance income has decreased during the quarter as major portion of fixed deposits were invested in new projects affecting net profit decreased by 33.2% in comparison to the corresponding period of last year. Liquidity has been maintained sufficient even the major amount is invested in the projects.
- The statement of management analysis on the upcoming business plan:**
Construction of Nyadi Hydropower project 30MW is ongoing smoothly. However, construction of Kabeli -A project 37.6 MW has currently been suspended due to non-compliance of the terms of agreement by the EPC Contractor. The recovery plan has been formulated and being worked out. Generation license of Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) at capacity of 140 MW has been received and connection agreement at 104 MW has been signed for PPA process. After the reoptimization of LMMHEP with cascade development model with upstream Manang Marsyangdi Hydroelectric Project (MMHEP), the project capacity has been fixed at 139.2 MW as a PROR project. The consent for PROR and boundary change has been taken from DOED. MMHEP has been acquired by BPC to develop with Chinese JV partners. The survey license for 8.5 MW capacity Chino Khola Hydropower Project was received and feasibility study was carried out. However, after the change in layouts of Manang Marsyangdi and Lower Manang Marsyangdi projects, the layout of Chino has also been changed and project capacity has been fixed at 7.9 MW. Amendment of survey license at 7.9 MW has been received from DOED. Prefeasibility study of 160 MW Mugu Karnali Hydroelectric Project has been completed. Prefeasibility study has identified various options of project layouts with different project capacity which are PROR type. Taking consideration of most attractive option, feasibility study is in process. BPC through a Joint Venture Company (JVC) has also acquired 327 MW Upper Marsyangdi-2 Hydroelectric Project. The project capacity of MMHEP, LMMHEP and UM2HEP have been re-optimized by JVC from the previous capacity of 282, 140 and 600 MW respectively so that the PPA can be carried out with NEA and energy could be sold within domestic market. 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.

3 STATEMENT RELATING TO LEGAL ACTION

- Case filed by or against the Company during the quarter, if any : None
- 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

- BPC shares were actively traded during the quarter. 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
421	350	364	63	2703	304,329	117,003,154

5 PROBLEMS AND CHALLENGES

- Internal**
 - Optimization and Retention of key human resources
 - To optimize the operational efficiency of distribution business
 - To manage the fund for upcoming projects.
- External**
 - Lack of political support in development of new hydropower projects.
 - Lack of standard policies and guidelines related to development of hydropower projects
 - Fluctuating cost of capital, foreign exchange and devaluating local currency.
 - Possibility of flood in monsoon season in the rivers at powerplant locations.
- Strategies**
 - HR optimization plan is being initiated.
 - Fund management and strategic investment as per the project investment plan
 - Identification of different financial instruments along with risk assessment.
 - Transaction closure of new projects in joint venture with foreign parties.

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 F/Y 2076/77, 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.