

APPLICATION FOR ISSUANCE OF COMMERCIAL PAPERS

ANNEXURE I

The Registrar of Companies  
Office of the Register of Companies  
Thimphu.

Subject: Approval for Issuance of Commercial Papers

Dear Sir,

We would like to seek the RoC's approval for the issuance of the Commercial Papers as per the details provided below:

Serial No:01

Days to Maturity: 180 days (02.01.2024)

Quantity/Amount: Nu.600,000,000.00

Date of Issue: 26.06.2023

**Terms and Conditions (Check List)**

**1. Maximum Maturity of the Instrument:**

- 1.1: Not more than 90 Days   
1.2: Above 90 Days   
1.3: Up to 180 Days

**2. Potential Investors:**

- 2.1: Only the Financial Institutions   
2.2: Others (*please specify*)

**3. Additional Requirements:**

3.1: The Instrument is backed by:

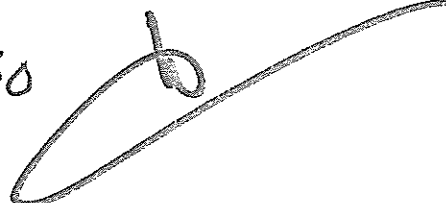
- 3.1.1: Deposits/Receivables/Inventories  
and other qualified assets  (*attach the document*)  
*OR*  
3.1.2: Corporate/FIs Guarantee  (*attach the document*)

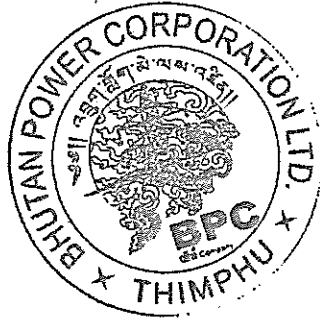
3.2: The Instrument is in the denominations of Nu. 100,000/ with multiples of 6,000.00  
with a total face value of Nu.600,000,000.00

3.3: The CIB clearance obtained  (*attach the document*)

3.4: Authorization from the Board obtained  (*attach the document*)

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Chief Executive Officer  
Bhutan Power Corporation Limited  
Thimphu : Bhutan

HEAD OF THE COMPANY (Seal and Sign of Issuer)

Approval Form (to be filled by the RoC)

- 1) The MMI Registration No: CP/CA-2023/003
- 2) Name of the Issuer: BPCL
- 3) Date of Issue: 26/06/2023
- 4) Total face value of Issue: 600,000,000
- 5) Date of maturity: 02/01/2024

Approved

Not approved

Official Seal



(Approving Authorized Authority)

Registrar of Companies  
Office of the Registrar of Companies  
Ministry of Economic Affairs

**Annexure-II**

**Prospectus for Public issue of Commercial Papers worth Nu.600,000,000.00**  
**(Six hundred million)**

The following constitutes full, and true disclosure of all material facts relating to the commercial papers offered by this prospectus as required by the Companies Act of Bhutan 2016 and in line with the relevant provisions of the Regulatory Authority.

**1. General Information:**

- a) Name of the company: Bhutan Power Corporation Ltd
- b) Registered Office: Yarden Lam, Chubachu, Thimphu.
- c) Auditors: Tshechu & Associates.
- d) Bankers: Bank of Bhutan Ltd.
- e) Registration/License Number: 1015519

**2. Objective of the Issue:** To meet the working capital/ short-term fund requirement.

**3. Particulars of offer:**

Issue Price per CP	Number of CPs offered	Subscription Date	Allotment Date
Face value Nu.100,000	6,000.00	24.06.2023	03.07.2023

**4. Term of the Commercial Paper and Coupon Rate:**

Term	Coupon Rate	Payment of Coupon Amount
180 days	6%	17,753,424.66

**5. Maturity Period:** The maturity period of the CP will be based on the above date from the date of allotment as specified above. In the event of premature redemption of the CP, the issuer will redeem only the principal amount and the interest accrued till the date of premature redemption subject to payment of a 6% penalty.

**6. Methods of Allocation:** Lump sum settlement through the RSEBL facility.

**7. Use of Fund (Details):** The fund shall be used to meet working capital requirements.

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## 8. Payment of Coupon:

- The CP shall be listed with the Stock Exchange for secondary transactions.
- The interest/coupon amount shall be paid to the investors by A/c payee cheque.
- The Central Depository of RSEB shall be the custodian for the debt instrument and facilitate the interest of coupon payments.

## 9. Risk factors (Disclose all the risks associated with the business):

*(The investors should make their own assumption/analysis on the general market risks before deciding to invest in the scripts. However, the following risks are directly related to the Investment Business. Highlight all risks related to the Business)*

- a) **Operational Risk:** Like any other utility electricity company, BPC, is also susceptible to operational risk. BPC has instituted an independent risk office supervised by the Board audit and risk committee and is further assessed by the DHI. The following are some of the operational risks faced by BPC, and the risk is mitigated accordingly.

**Equipment Failure:** Electricity companies rely on complex infrastructure and equipment, such as plants, transformers, and transmission lines. Equipment failure can lead to power outages and financial losses. Risk is strategized through regular maintenance, inspections, and investing in reliable, high-quality equipment. Implementing predictive maintenance techniques and utilizing a real-time monitoring system also helps detect and address potential failures proactively.

**Natural Disaster:** Electricity companies are susceptible to natural disasters like storms, lightning, floods, and wildfires. These events can damage power infrastructure, leading to power outages and service disruptions. To mitigate the impact of natural disasters, BPC invested in resilient infrastructure designs, such as elevated substations, underground cables, and conducted regular drills, and placed backups power sources to ensure continuity of service during such events.

**Regulatory Compliance:** Compliance with various regulations and standards is essential for electricity companies. Failure to comply can result in penalties, legal issues, and reputational damage. BPC developed strategies with a robust governance framework, conducting regular internal audits, and ensuring employees are well-versed in compliance requirements.

**Supply Chain Disruptions:** Electricity companies rely on a complex network of suppliers for equipment, fuel, and maintenance services. Disruption in the supply chain, such as delays, quality issues, or supplier bankruptcies, can impact operations. BPC developed good relationships with multiple suppliers to mitigate the chain risks

- b) **Market/Economy Risk:** The BPC is the sole distributor of electricity within the

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country. The revenue generated by BPC through the sale of electricity (including subsidy receivable from the government) and wheeling charges is based on the predetermined tariff structure. As such market risk of BPC is mitigated. While assessing the risk factor of the company, it was found that the following are some of the risks associated with the BPC in relation to market/economy risk.

**Regulatory Challenges:** BPC's tariff and business standards are regulated by the Electricity Authority of Bhutan (BAE) and their decisions are not always aligned with the interest of the company, leading to conflicts and uncertainties. However, in order to avoid such conflicts, the government has come up with tariff determination rules and regulations, and so far, such issues are avoided to the extent possible.

**Technological Disruption:** BPC may face the risk of technological advancements. In order to avoid such risk in the future, BPC has adopted a digital strategy roadmap accommodating technological risk, and the same is reviewed regularly to accommodate the risk of technological changes.

**Economic Downturn:** BPC is not immune to economic downturns. Although currently all excess power available in the country is exported to India through a governmental memorandum of understanding and bilateral ties, there may come situations where the domestic and Indian markets will not be able to buy the power due to recessions. The risk is mitigated through political and bilateral government commitments.

#### 10. Present Capital Structure of the Company:

Authorized Capital:	Nu. 15,000,000,000.00
Issued and paid up capital:	Nu. 11,157,502,000.00

#### 11. Eligibility of Investors: Only the Financial Institutions



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12. Financial Highlights for last three years (Audited)- tabular format

<b>Bhutan Power Corporation Limited (A Royal Government of Bhutan Undertaking)</b> (All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)				
<b>STATEMENT OF FINANCIAL POSITION</b>				
	Note	As at		
		31-Dec-22	31-Dec-21	31-Dec-20
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	38,379,945,418	31,217,116,659	30,658,527,662
Intangible assets	5	50,552,532	49,721,551	45,625,858
Right of Use Asset (Land)	6	29,382,144		
Long-term loans and advances	7	8,514,407	11,358,916	1,214,737
Other receivables	8	199,330	199,330	199,330
Other non-current assets	9	40,346,309	27,775,503	33,504,834
<b>Total non-current assets</b>		<b>38,508,940,139</b>	<b>31,306,171,960</b>	<b>30,739,072,422</b>
<b>Current assets</b>				
Inventories	10	643,083,010	560,656,553	428,512,611
Amount Due from customers for contract work	11	425,738,438	126,445,670	567,178,342
Trade & other receivables	12	1,134,658,284	718,518,933	803,649,995
Cash and cash equivalents	13	397,041,032	1,220,324,401	1,050,453,495
Short-term loans and advances	14	3,699,326	5,558,440	2,392,734
Other current assets	15	1,004,505,183	1,861,181,926	1,443,836,671
<b>Total current assets</b>		<b>3,608,725,273</b>	<b>4,492,685,921</b>	<b>4,296,023,848</b>
<b>Total Assets</b>		<b>42,117,665,412</b>	<b>35,798,857,881</b>	<b>35,035,096,270</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholder's Equity</b>				
Share Capital	16	11,157,502,000	10,203,413,586	10,235,301,000
Retained earnings		4,991,572,492	5,181,676,613	4,430,403,104
Investment Reserve		-	-	-
Asset Replacement Reserve		170,695,464	161,273,892	
Other comprehensive income		(198,560,343)	(149,674,667)	
		<b>16,121,209,613</b>	<b>15,396,689,424</b>	<b>14,665,704,104</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	17	17,297,178,328	12,395,187,419	12,746,489,046
Deferred grants	18	1,390,087,893	1,453,439,333	1,347,425,686
Deferred Customer's Contribution	19	86,394,019	97,731,231	122,771,587
Other payables	20	737,804,007	674,687,725	735,500,200

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*[Handwritten signature]*



Employee benefit liabilities	21	767,707,521	657,704,412	722,052,174
Deferred Income Tax liabilities (net)	22	1,330,617,098	1,299,346,008	1,232,017,352
Lease Liability (land)	23	31,940,123		
<b>Total Non-current liabilities</b>		<b>21,641,728,989</b>	<b>16,578,096,126</b>	<b>16,906,256,046</b>
<b>Current liabilities</b>				
Borrowings	17	424,000,615	580,001,278	938,138,599
Deferred grants	18	58,431,729	58,040,386	44,191,091
Deferred Customer Contribution	19	12,942,191	13,229,397	1,182,106
Amounts due to customers for construction contract	11	1,221,932,519	1,784,859,136	930,323,741
Trade & other payables	24	2,361,332,735	867,877,273	1,325,914,555
Employee benefit liabilities	21	104,939,722	277,828,103	150,182,734
Income tax payable (net of advance)	25	134,819,680	208,924,629	36,929,400
Other current liabilities	26	33,176,414	33,312,130	36,273,894
Lease Liability (land)	23	3,151,206		
<b>Total current liabilities</b>		<b>4,354,726,811</b>	<b>3,824,072,331</b>	<b>3,463,136,120</b>
<b>Total liabilities</b>		<b>25,996,455,800</b>	<b>20,402,168,457</b>	<b>20,369,392,166</b>
<b>Total equity and liabilities</b>		<b>42,117,665,412</b>	<b>35,798,857,881</b>	<b>35,035,096,270</b>

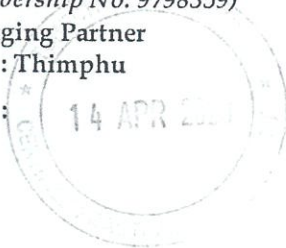
The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

For Tshechu & Associates  
Certified Practising Accountants  
Firm Empanelment No.: BH - 07



Tshechu, FCPA(Aust.)  
(Membership No. 9798359)  
Managing Partner  
Place : Thimphu

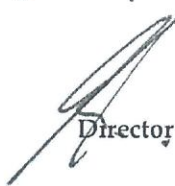
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For Bhutan Power Corporation Limited



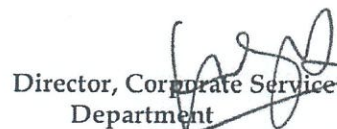
Chairperson



Director



Chief Executive Officer



Director, Corporate Service  
Department



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**13. Particulars of the Present Board of Directors:**

Name	Designation
Dasho Kesang Deki, Secretary, MoF	Chairperson
Dasho Kunzang Dorji, Zimpon Wongma, OGZ	Board Member
Mr. Karma P Dorji, Director, DoE, MoENR	Board Member
Ms. Dechen Wangmo, Director, Corporate Affairs Department, DGPC	Board Member
Mr. Sonam Lhundrup, Nominee Director, DHI	Board Member
Mr. Kinzang Tobgay, Managing Partner, Bhutan Consultancy Services	Board Member
Mr. Sonam Tobjey, Chief Executive Officer, BPC	Board Member

**14. Statutory Dues and Pending Cases:** At present, the Company has no outstanding statutory dues.

**15. Declaration:** We hereby declare that most of the relevant provisions of the Companies Act and the Prudential Regulation 2017 issued by the Royal Monetary Authority and Royal Securities Exchange have been complied with and no statement made in the prospectus contrary to the provisions of Companies Act.



**Chief Executive Officer**  
**Chief Executive Officer**  
**Bhutan Power Corporation Limited**  
**Thimphu : Bhutan**

**Director**  
**23/6/2023**

Place- Thimphu  
Date: 23 June 2023