

Source: My Republica; 16 March, 2014

HIDCL proposes to distribute 5% cash dividend

The Hydroelectricity Investment and Development Company Limited (HIDCL) has proposed to distribute 5 percent cash dividend to its shareholders from the earnings it made over the past two and half years.

The company made interest income of Rs 773.7 million during the period from the amount deposited in 19 commercial banks till the end of fiscal year 2012/13.

It plans to endorse the dividend distribution by holding second annual general meeting on April 4.

Banks have offered interest rate of as high as 11 percent for HIDCL, according to the company officials.

Energy secretary Bishwa Prakash Pandit, who is also the chairman of HIDCL, said they decided to distribute dividend as the company made good profit in the last fiscal year. "We should not look how the money was earned. As the company has made profit, it is natural for the investors to expect dividend," added Pandit.

Pandit said the company made investment pledge of Rs 2 billion after he came at the helm.

Deepak Rauniyar, CEO of HIDCL, said the company was preparing to distribute Rs 400 million, or 5 percent of the company's paid-up capital.

The company has paid-up capital of Rs 8 billion.

"We earned Rs 355.2 million in 2011/12 and Rs 412.7 million in 2012/13," he said, adding, "As we have made profit, we must distribute dividend. It shouldn't be taken otherwise."

Though the company has decided to distribute dividends, its laws says the company can divide profits after earning through investment in medium and large-scale hydropower projects and building transmission lines. HIDCL has yet to invest in any hydropower project. However, it has pledged to invest in five hydropower projects and to construct a stretch of cross border transmission line in Nepali side.

A high-level official at the Ministry of Energy (MoE) expressed dissatisfaction at the proposed dividend distribution. "HIDCL is not a financial institution to distribute dividend from interest income," the official said, preferring anonymity.

The government has invested Rs 5 billion in the company. Likewise, Employees' Provided Fund, Citizens Investment Trust and Rastriya Beema Sansthan have invested Rs 1 billion each in the company.

HIDCL is co-financing Mistri Khola (42 MW), Dordi (27 MW), Solu (23.5 MW), Khanikhola (30 MW) and Kabeli 'A' (37.6 MW) together with different commercial banks.

The company still doesn't have laws related to loan investment and recovery of debt. Officials of the company said huge amount of money has remained unused in the absence of those laws.

Source: Karobar; 17 March, 2014

PDA with Upper Karnali within a month

The Investment Board (IB) is set to sign Project Development Agreement (PDA) with the promoter of Upper Karnali Hydropower Project, GMR Energy Limited of India, within a month. It will be easier for other projects to move forward after signing PDA for this project.

IB plans to sign the PDA within a month as the two parties are near agreement on the majority of issues, according to Chief Executive Officer of IB Radhesh Pant, while Finance Minister Dr Ram Sharan Mahat has also stated that it will be signed within a month. “The issue of tax discount will also be resolved now. There is no problem to sign the agreement within a month,” Pant said. He reasoned that it will be easier to sign PDA with promoters of other projects like Arun III and Upper Marsyangdi II as Upper Karnali will provide the breakthrough.

The Upper Karnali project is being developed in build-own-operate-transfer (BOOT) model. GMR has already guaranteed 39 percent free stake to Nepal providing 27 percent of free equity and 12 percent of free electricity after the project is completed. GMR will provide free energy of 109 MW—building a project of that capacity costs around Rs 11 billion—to the government from the 900 MW project that will cost over Rs 100 billion. GMR and Italian Thai Development Company Limited (ITD) of Italy have jointly invested in the project. GMR Energy Limited of India is looking to sell its 49 percent stake in the Upper Karnali Hydropower Project to Electricite de France SA (EDF). The two companies are currently holding discussions for transfer of ownership. The International Financial Corporation (IFC) under the World Bank has also showed interest to invest in it. IFC has already signed a memorandum of understanding (MOU) to invest in Upper Marsyangdi II (600 MW) project, also being developed by GMR.

The Finance Ministry has also made preparations to provide tax discounts for four big projects to be constructed with foreign investment. The ministry has expressed commitment to take initiative to address the issue after the foreign promoters during talks with IB for signing PDA demanded discounts on income tax, value-added tax (VAT), and customs duty. The new government has taken initiative for tax discount for these projects with a combined installed capacity of 3050 MW. IB says the government should soon

make decisions on the discounts on income tax, customs duty and VAT as it has to be documented in PDA.

Similarly, the contradictory acts related to royalty and bonus also need to be integrated. Ministry officials state that the act should be amended for income tax discount through the parliament even though customs duty discount can be provided. The ministry is thinking about the alternative way for VAT discount as it cannot be provided directly and has to be done through grant or refund. The task force formed under Joint Secretary at the Energy Ministry Keshav Dhvaj Adhikari has already prepared report about the alternatives for VAT discount.

GMR and other promoters have demanded that the current income tax provision should be maintained and VAT discount be provided on cement, rods and other construction materials. A study by IB also showed that the internal rate of return of promoters will rise by three percent by merely providing VAT discount on materials for civil construction. There is also problem in forming the basis for income tax as the law has not spoken anything about the issue of income tax discount after 2019. The government has provided full waiver of tax for 10 years and half discount for five years for the projects that will be finished by 2015. While the projects that will be completed four years later will be given complete waiver for seven years and half discount for three years.

The Nepal Electricity Authority (NEA) has also offered to buy electricity from the export oriented projects during the winter. It has determined the base price to buy it at Rs 10.60 per unit during the winter.