EMERGING
Credit Rating Ltd
an independent house of risk assessment

December 7, 2023

Mr. Moinuddin Hasan Rashid
Managing Director

United Power Generation & Distribution Company Ltd.
United House, Madani Aveneue, United City, Dhaka – 1212

Subject: Credit Rating Report of "United Power Generation & Distribution Company Ltd.".

Dear Sir,

We are pleased to inform you that Emerging Credit Rating Limited (ECRL) has assigned the following ratings to **United Power Generation & Distribution Company Ltd.**

Valid From	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
December 07, 2023	**December 06, 2024**	**Surveillance-7**	**AAA**	**ST-1**	**Stable**
December 12, 2022	**December 11, 2023**	**Surveillance-6**	**AAA**	**ST-1**	**Stable**
December 18, 2021	**December 17, 2022**	**Surveillance-5**	**AAA**	**ST-1**	**Stable**

The short term and long term ratings are valid up to limit expiry date of respective credit facility or December 06, 2024 whichever is earlier. The ratings may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We hope the ratings will serve the intended purpose of your organization.

Yours Sincerely,

Arifur Rahman, FCCA, FCA , CSAA
Chief Executive Officer

Enclosed: 2 copies of credit rating report of **United Power Generation & Distribution Company Ltd.**

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Credit Rating Report

Of

United Power Generation & Distribution Company Ltd.

EMERGING
Credit Rating Ltd

United Power Generation & Distribution Company Ltd.

Credit Rating Report *(Agreement Number: 2020-12-19-43055)*

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December 07, 2023	December 06, 2024	Surveillance-7	AAA	ST-1	Stable
December 12, 2022	December 11, 2023	Surveillance-6	AAA	ST-1	Stable
December 18, 2021	December 17, 2022	Surveillance-5	AAA	ST-1	Stable

Date of Incorporation : January 15, 2007

Managing Director : Mr. Moinuddin Hasan Rashid

Authorized Capital : BDT 10,000.00 million

Paid up Capital : BDT 5,796.95 million (As on June 30, 2023)

Bank Facilities Limit : Short Term **BDT 3,068.80 Million**

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Arifur Rahman FCCA, FCA, CSAA
Chief Executive Officer
Emerging Credit Rating Limited

Credit Analysis

Entity Rating

Entity Rating

2023 Surveillance Review

United Power Generation & Distribution Company Ltd.

Major Rating Factors

Strengths

- Low leveraged capital structure
- Strong liquidity position
- High return on assets

Challenge/ Risks

- Decreased cash inflow from operating activites
- Significant increase in cost of raw material may have detrimental impact on profitability.

Rationale

Emerging Credit Rating Limited (ECRL) has affirmed **AAA** (Pronounced as Triple A) long term credit rating and **ST-1** short term credit rating to United Power Generation & Distribution Company Ltd (from here on referred to as 'UPGDCL' or 'the company'. The outlook of the rating is **Stable.** The rating is consistent with ECRL's rating methodology for this type of company. United Power Generation & Distribution Co. Ltd., country's first commercial independent power producer, started its commercial operation on December 26, 2008. The company currently provides uninterrupted electricity to Bangladesh Export Processing Zone Area (BEPZA), Rural Electrification Board (REB), and Bangladesh Power Development Board (BPDB). UPGDCL has two gas fired power plants at Dhaka Export Processing Zone (DEPZ) and Chattogram Export Processing Zone (CEPZ) with a total electricity generation capacity of 154 MW contributing to the Dhaka, Chattogram and Karnaphuli EPZs, REB, BPDB, and several private customers**.** The rating is based on audited financial statements of FY2020 to FY2023 and other relevant qualitative and quantitative information available.

The above ratings have been influenced by largest power generation unit of United Group, favorable power purchase agreement with ensured revenue from BEPZA, BPDB, BREB, low leveraged capital structure, strong liquidity position and management's long exposure to the industry aiding in strategic business direction. However, the rating is constrained by the lower capacity utilization, lower cash received from customer in FY 2023.

In the FY 2023, UPGDCL and its subsidiaries collectively generated BDT 41,309.11 million in revenue, marking a 16.44% decrease from the previous year. Correspondingly, the cost of sales also saw a 17.32% decrease, totaling BDT 30,656.19 million in FY 2023. The gross profit margin exhibited growth, reaching 25.79% in 2023 compared to 24.99% in FY 2022. Despite these positive trends, a substantial foreign exchange loss and high financial expenses contributed to a decline in the net profit margin, which decreased to 19.95% in FY 2023 from 20.56% in FY 2022. Notably, the company and its subsidiaries maintain a low level of leverage in their capital structure.

The capacity utilization combining DEPZ and CEPZ plants was lower at 58.54% from 80.49% in the previous year, as a result the revenue generation of UPGDCL decreased by 17.52% from previous year. On the other hand cost of gas consumption increased by almost 92% from prior financial year causing cost of sales directly associated to revenue has increased by 66.12% giving the gross profit margin of the company reduce to 31.17% from 65.82% in the preceding year. In 2023, UPGDCL earned significant amount of dividend payments from its three subsidiary companies which

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Chief Executive Officer
Emerging Credit Rating Limited

aided to strengthen the operating profit of the company while previously in 2022 only one of its subsidiary companies provided dividends. Since the dividend income is significantly higher than previous year, the operating profit margin escalated to 228.71% from 165.94% preceding year. Furthermore, generated financial income led to higher net profit margin to 238.34% in FY 2023. However, recent devaluation of BDT against USD can increase the production cost affecting the profitability in the coming financial year. The government of Bangladesh is the primary customer of UPGDCL and due to increase price of USD in international market the GOB is being late in clearing off payments of independent power producers. This is further exhibited by 15.82% decreased cash received from customer. Furthermore, the entity has very strong liquidity position as the company has small amount of current liabilities compared to current assets and also the company has very low leveraged capital structure.

UPGDCL avails facilities from various banks however the leverage in the capital structure is very low. United Power Generation & Distribution Company Ltd. has been maintaining banking relationship with HSBC, Jamuna Bank Limited and Dhaka Bank Limited respectively. As per provided sanction advice of respective banks, UPGDCL has been sanctioned a total amount of BDT 3,068.80 million. The total outstanding liabilities of UPGDCL stood at BDT 639.85 million against the total loan limit. The company maintains healthy relationship with banks and had satisfactory past performance with regular payment as presented in the documents provided by the corresponding banks. The company provided personal guarantee, corporate guarantee, and hypothecation on all fixed & floating assets as securities against the availed facilities.

UPGDCL's **stable** outlook is reflected by its good liquidity, dominant industry position, long term business experience and its overall business condition.

Exhibit 1: Financial Highlights: United Power Generation & Distribution Company Ltd.

FYE 30th June	**2023**	**2022**	**2021**	**2020**
Revenue (BDT in Million)	5,596.55	6,785.00	6,764.78	6,223.16
Revenue Growth (%)	(17.52)	0.30	8.70	(3.87)
Cost of Sales (BDT in million)	3,852.27	2,318.90	2,368.31	2,328.67
COS Growth (%)	66.12	(2.09)	1.70	6.21
Operating Income (BDT in Million)	12,799.83	10,439.17	20,639.10	3,843.50
Net Profit After Tax (BDT in Million)	13,338.99	11,259.34	21,024.94	4,348.77
Gross Profit Margin (%)	31.17	65.82	64.99	62.58
Operating Profit Margin (%)	228.71	153.86	305.10	61.76
Net Profit Margin (%)	238.34	165.94	310.80	69.88
Current Ratio (x)	54.56	70.84	34.47	37.21
Cash Conversion Cycle (Days)	37	169	162	153
Debt to Equity Ratio (x)	-	-	-	-
ROA (%)	38.86	36.69	71.26	27.42
ROE (%)	39.35	37.03	72.49	27.84
ROCE (%)	37.72	34.30	71.10	24.56
CFO (BDT in Million)	2,118.76	4,595.52	5,079.80	3,786.91

FY2020-2023 Data Extracted from Audited Financial Statements

Arifur Rahman FCCA, FCA, CSAA
Chief Executive Officer
Emerging Credit Rating Limited

A. BUSINESS DESCRIPTION

A.1. Company Background

United Power Generation & Distribution Company Ltd. (UPGDCL) formerly known as Malancha Holdings Limited (MHL) was incorporated in Bangladesh as a private limited company on January 15, 2007 under the Companies Act 1994 which is the country's first commercial independent power producer, the most integral business unit of United Group. The Company changed its name from Malancha Holdings Limited to United Power Generation & Distribution Company Ltd. on October 01, 2009. Subsequently, UPGDCL was converted to a Public Limited Company on December 22, 2010 and it is listed with both the bourses of the country and its shares are being traded in 'A' category issues. The authorized capital of UPGDCL is BDT 10,000.00 million and paid up capital stood at BDT 5,796.95 million as on June 30, 2023. With the motto "Energy is Life", UPGDCL started its commercial operation on December 26, 2008 with its first power plant located at Dhaka Export Processing Zone, which had an installed capacity of 35 MW, with a subsequent addition of 6 MW. The management of the company is led by Mr. Moinuddin Hasan Rashid, Managing Director being supported by a skilled and experienced management team. UPGDCL started its commercial operation on December 26, 2008 with its first power plant located at Dhaka Export Processing Zone, which had an installed capacity of 35 MW. Subsequently, the Company enhanced its production capacity by installing its second power plant and started commercial operation on August 12, 2009 located at Chattogram Export Processing Zone with an installed capacity of 44 MW. The two projects of UPGDCL is located at Dhaka Export Processing Zone and Chattogram Export Processing Zone and Corporate Head Office is located at Gulshan Centre Point, House 23-26, Road 90, Gulshan - 2, Dhaka - 1212, Bangladesh.

UPGDCL has five subsidiaries where it holds 99% Shares in each of United Energy Ltd. (UEL), United Anwara Power Ltd. (UAnPL), United Jamalpur Power Ltd. (UJPL) and 75% Shares in Leviathan Global BD Ltd. (LGBD). Moreover UEL hold 92.41% Shares of United Ashuganj Energy Ltd. (UAEL) which is effectively owned by UPGDCL of 91.49% Shares in UAEL.

A.2. Group Profile

United Group is a widely known Business conglomerate in the country. It started its operations in the late seventies with its flagship company named "United Enterprises & Company Limited". The Group has been a strong, capable and dynamic business conglomerate over the last few decades proven by origination, execution and completion of large and pioneering projects. The group has expanded its business in various sectors in the economy such as the following one:

- Manufacturing
- Energy & Power generation
- Retail & Services
- Port, Terminal & Shipping
- Real Estate & Construction
- Healthcare
- Education

Exhibit 2: Companies of "United Group" are mentioned bellow

Name of the Company	Nature of the business
United Enterprises & Co. Limited	Investing & Trading
United Engineering & Power Services Limited	Operation & Maintenance Service Provider
United Purbachal Lands Ltd.	Land Developer
Neptune Commercial Ltd.	Erection Procurement Commission (EPC) Contractor
United Energy Ltd.	Power Producer
United Hospital Limited	Managed Care and Healthcare Service Provider
IPCO Hotels Limited	Hospitality Services
United International University (UIU)	Higher Education Provider
United Professional Services Ltd.	Educational Institution
Comilla Spinning Mills Ltd.	Manufacturer of Yarn
United Makkah Madina Travel & Assistance Co. Ltd.	Travel Agency
United Power Generation & Distribution Company	Power Producer

Ltd.	
Neptune Properties Ltd.	Real Estate
Gunze United Limited	Manufacture and Dyeing of Sewing Threads and Garments Accessories
IPCO Developments (Bangladesh) Limited	Providing Hospitality services with a 3 Star Hotel along with a shopping arcade
United Property Solutions Ltd.	Developers and Constructor of residential plots and houses as well as commercial properties
Neptune Land Development Ltd.	Land Developers
United Land Port Teknaf Limited	Port Operator
Khulna Power Company Limited (KPCL)	Power Producer
United Jamalpur Power Limited	Power Producer
United Mymensingh Power Ltd.	Power Producer
United Anwara Power Ltd.	Power Producer
Leviathan Global BD Ltd.	Power Producer
United Payra Power Ltd.	Power Producer
United Securities Ltd.	Brokerage services
United Pharma & Healthcare Ltd.	Pharmaceutical
United Ashuganj Energy Ltd.	Power Producer
United Lube Oil Ltd.	Lubricants
United Sulpho-Chemical Ltd.	Sulphonation Plant
United Shipping & Logistics Services Ltd.	Shipping
United Tank Terminal Ltd.	Terminal
Orange IT Ltd. & Orange Solutions Ltd.	Tech Venture

Since their inception, United Group has maintained an unwavering commitment to provide products and services of superior quality to its existing and potential buyers and customers. United Group is expanding and pursuing the next level of growth and come up with innovative products and services in the market.

A.2.1. Power Division

1,360 MW is the present portfolio of United Group in the Power Generation Sector. The Group currently contributes about 1,310 MW to the national grid through 8 power generating companies and there is another 50 MW of power generation facility ready to operate at KEPZ, Chattogram. United Group's Power Division has introduced many pioneering solutions to the Power Sector of Bangladesh starting in 1997 with the introduction of the country's first Independent Power Producer (IPP); the barge mounted Khulna Power Company Ltd. – KPCL. Since then, United Group's Power Division went on to introducing concepts such as Commercial Independent Power Plants as well as Combined Cycle and Modular Power Plant in Bangladesh.

Exhibit 3: Power Division of United Group

Sl.	Name of the Company	Power Generation Capacity
1.	United Ashuganj Energy Limited (UAEL)	195 MW
2.	United Power Generation & Distribution Company Ltd	154 MW
3.	United Anwara Power Ltd	300 MW
4.	United Energy Limited	81 MW
5.	United Mymensingh Ltd	200 MW
6.	United Jamalpur Ltd	115 MW
7.	Khulna Power Company Limited	115 MW
8.	Leviathan Global BD Ltd	50 MW
9.	United Payra Power Ltd	150 MW
	Total	**1,360 MW**

A.3. Business Operation

Generation and distribution of electricity is the principal products and services of the Company. The electricity produced from the Company's power plants is sold to Bangladesh Export Processing Zone Association (BEPZA). In turn, BEPZA distributes the generated electricity to industries in Dhaka Export Processing Zone (DEPZ), Chattogram Export Processing Zone (DEPZ) and Karnaphuli Export Processing Zone (KEPZ). UPGDCL also supplies surplus electricity to Rural Electrification Board, Bangladesh Power Development Board and other private sector companies. The principal activity of the Company is to generate electricity by two gas fired power plants, one at DEPZ with 82 MW capacity and the other one at CEPZ with 72 MW capacity and to sell generated electricity to the export processing industries located inside DEPZ, CEPZ and KEPZ with the provision of selling surplus power outside the Export Processing Zones (EPZs) after fulfilling their requirement. The Company is supplying electricity to the national grid of Bangladesh through Dhaka PBS-1 of REB, Bangladesh Power Development Board (BPDB), BEPZA (3) and other 27 private sector companies.

United Power Generation & Distribution Company Ltd. has signed a Power Supply Agreement (PSA) with BEPZA to ensure uninterrupted quality supply of electricity to Dhaka EPZ and Chattogram EPZ under Private Sector Power Generation Policy of Bangladesh. The Power Supply Agreement (PSA) between the Company and BEPZA is for 30 years and there are provisions for further extension for an additional 30 years thereafter. The Company has arranged and connected feeders from the DEPZ and CEPZ power systems to its own plants in order to provide the stipulated loads to the DEPZ and CEPZ power systems.

Additionally, UPGDCL has a Power Purchase Agreement (PPA) with the Rural Electrification Board (REB) and Bangladesh Power Development Board (BPDB). The Company's power plants maintain interconnection lines and sub-station equipment with the national transmission grid through which it distributes electricity to REB and BPDB, BEPZA (3) and other 27 private sector companies.

United Power Generation & Distribution Company Ltd. (UPGDCL) sells electricity to EPZs in Bangladesh under variable tariff rates that can be increased from time to time as per the Government Tariff Policy. UPGDCL is the only Commercial Independent Power Producer (IPP) mandated to build, operate and own power plants within the Export Processing Zones of Bangladesh by BEPZA. At present, UPGDCL has no competition in the markets in which it operates and sells electricity.

A.3.1. DEPZ Power Plant

The DEPZ Power Plant is located at Dhaka Export Processing Zone (DEPZ) premises, having 6,425.13 sq. meters areas under Land Lease Agreement signed on May 06, 2007 with BEPZA for 30 years. The Land Lease Agreement (LLA) between UPGDCL and BEPZA is also for 30 years and is valid based on the tenure of the PSA. Upon mutual consent, these agreements are renewable and hence, risk of inadequate operational years can be mitigated. At present, the plant has 4 (four) gas fired engines with the capacity of 8.73 MW each, 5 (five) gas fired engines with the capacity of 9.34 MW each and 2 (two) gas fired engines with the capacity of 2.00 MW each having core engine facilities of 82.00 MW capacities for the generation of electricity. This gas-powered generating set consists of Auxiliaries, Exhaust Gas Silencer, and Electrical, Mechanical & Civil Construction and Erection. The power plant has 14 (fourteen) integrated systems named fuel, lubrication oil, compressed air, cooling, charge air, exhaust, water treatment, fire protection, emission control, automation, electrical, station service, DC and high voltage systems. The main raw material used for generating electricity is Natural Gas. The power plant gets gas supply from Titas Gas Transmission and Distribution Company Limited (TGTDCL) under Gas Supply Agreement signed on November 16, 2008 for 15 years. The DEPZ project has installed 2 (two) Heat Recovery Boilers to produce 8 ton/h of steam for selling it commercially to industries inside Dhaka EPZ having demand for quality steam. The plant started to generate electricity from 26th December 2008.

A.3.2. CEPZ Power Plant

The CEPZ Power Plant is located at Chattogram Export Processing Zone (CEPZ) premises, having 6,033.80 sq. meters areas under Land Lease Agreement signed on May 16, 2007 with BEPZA for 30 years. The Gas Supply Agreement (GSA) between UPGDCL and Karnaphuli Gas Distribution Company Limited is valid for the life of the power project and as per the signed Power Supply Agreement (PSA) with BEPZA. At present, the plant has 5 (five) gas fired engines with the capacity of 8.73 MW each and

3 (three) gas fired engines with the capacity of 9.34 MW each having core engine facilities of 72.00 MW capacities for the generation of electricity. This gas-powered generating set consists of Auxiliaries, Exhaust Gas Silencer, and Electrical, Mechanical & Civil Construction and Erection. The power plant has 14 (fourteen) integrated systems namely fuel, lubrication oil, compressed air, cooling, charge air, exhaust, water treatment, fire protection, emission control, automation, electrical, station service, DC and high voltage systems. The power plant gets gas supply from Karnaphuli Gas Distribution Company Limited under Gas Supply Agreement signed on July 09, 2009 for 30 years. The plant started to generate electricity from 12 August 2009.

A.3.3. Key Features of Gas Supply Agreement with Titas Gas Transmission & Distribution Company & UPGDCL

The Company had gas supply agreement (GSA) with Titas Gas Transmission & Distribution Company to supply 40/50 MW gas to the Dhaka plant with a subsequent extension to 100MW. Summary of the contract has presented below:

- The signed contract is for a term of 30 years to supply gas which can be extended for further 30 years as per land lease agreement.
- Minimum Purchase Obligation for each contract year shall be fifty percent (50%) of the Annual Contract Gas Usage.
- The Maximum Hourly Gas Usage (MHGU) shall be 18,772 Sm3 per hour, the Maximum Daily Gas Usage (MDGU) shall be 450,521 Sm3 per day, the Maximum Monthly Gas Usage (MMGU) shall be 13,515,630 Sm3 per month and the Annual Contract Gas Usage (ACGU) during a contract year shall be 162,187,560 Sm3 per annum.
- If Gas supplier has excess quantities of Gas available and transportation available as per requirement of the Company, Gas Supplier will sell and deliver such excess quantities to the Company in accordance with the terms of the Agreement.
- UPGDCL shall make full payment within twenty one (21) days of receiving an invoice from Gas Supplier of the total amount due to Gas Supplier.
- Late payments shall bear interest at 15% per annum commencing on the day following the date payment was due at the interest rate prevailing in Bangladesh announced by the Bank on the date payment is made per annum.
- In the form of bank guarantee from a scheduled bank of Bangladesh UPGDCL will deposit a security amount approximate to 6 months maximum consumption level before 30 days of the starting of effective date of agreement.
- Gas connection will be disconnected if the Company fails to make payment of monthly bills for 2 (two) consecutive months and re-connection will be given again after payment of arrears by the Company along with interest and payment of re-connection fees as been determined by the gas supplier.
- Gas supply can be discontinued by Titas at any time upon 10 days written notice for the following reasons, failure of customer to pay in the mentioned time, depositing the security money, absorb gas for purpose other than mentioned in the contract.

A.3.4. Key Features of Gas Supply Agreement with Karnaphuli Gas Distribution Company Ltd. & UPGDCL

The Company has gas supply agreement (GSA) with Karnaphuli Gas Distribution Company Ltd. to supply 63 MW gas to the Chattogram plant. However, UPGDCL is yet to complete gas supply agreement for rest 9.34 MW of total 72 MW. Summary of the contract has presented below:

- The signed contract is for a term of 30 years to supply gas which can be extended for further 30 years as per land lease agreement.
- The Maximum Hourly Gas Usage (MHGU) shall be 20,377 Sm3 per hour, the Maximum Daily Gas Usage (MDGU) shall be 415,690.80 Sm3 per day, the Maximum Monthly Gas Usage

(MMGU) shall be 12,470,728 Sm3 per month and the Annual Contract Gas Usage (ACGU) during a contract year shall be 149,648,736 Sm3 per annum.

- In excess quantities of Gas available and transportation available as per requirement of the Company, Karnaphuli Gas Distribution Company Ltd. will sell and deliver such excess quantities to the Company in accordance with the terms of the Agreement.
- Before 30 days of the starting of effective date of agreement UPGDCL will deposit a security amount approximate to 6 months maximum consumption level.
- Minimum Purchase Obligation for each contract year shall be fifty percent (50%) of the Annual Contract Gas Usage.
- The Company shall make full payment within thirty five (35) days of receiving an invoice from Gas Supplier of the total amount due to Gas Supplier.
- Regulating and metering system will be designed and built up by CEPZ with the suggestion of the gas supplier.

A.3.5. Main Features of Power Purchase Agreement with BEPZA

The Power Purchase Agreement between BEPZA and UPGDCL plays a very important role. The PPA inter alia includes the following important provisions:

- The term of the contract is for 30 years from the date of commercial operations.
- Land Lease Agreement (LLA), that is May 06, 2007 for DEPZ Plant and May 16, 2007 for CEPZ Plant and shall continue in full force and effect until the expiry of a period of 30 (thirty) years as per LLA, unless extended or earlier terminated in accordance with its terms.
- BEPZA does unconditionally and irrevocably guarantee to the Project Company that BEPZA shall arrange to buy total electrical capacity and energy of the Power Industry owned by the Project Company up to the total requirement of Dhaka EPZ and Chattogram EPZ.
- If UPGDCL becomes unable to fulfil the requirement of Dhaka EPZ and Chattogram EPZ, by giving Uninterrupted and Quality power only then, BEPZA can buy electricity from REB, BPDB, DESA, DESCO, PGCB or their Successor and permitted assignee.
- UPGDCL has the right to sell surplus power to any party i.e. government or private, after meeting the total power requirement of Dhaka EPZ and Chattogram EPZ and for supplying such power, BEPZA shall not claim any service charge.
- The company and BEPZA have agreed to a reference Tariff for each billing month which is composed of Energy Component and Demand Charge Component.
- For Dhaka EPZ, the Reference Tariff for each Billing Month shall be equal to the prevailing 11KV Electricity Tariff of Dhaka PBS-1 (REB) and in effect from time to time with the rebate in effect from time to time, if any, to the energy component of the Tariff up to maximum of 7.5% and without any reference to sanctioned load and minimum charge.
- For Chattogram EPZ, the Reference Tariff for each billing Month shall be equal to the prevailing Flat Tariff of 33KV General Category-H of BPDB in effect from time to time and without any reference to sanctioned load and minimum charge and service charge.
- Invoices shall be on a Monthly basis for all charges incurred throughout a Month. The invoices for all charges payable to BEPZA to the Project Company shall be prepared and submitted to BEPZA within 7 (seven) days after the end of each month.
- Payment shall be made no later than the due date which is 15 (fifteen) working days of receipt of relevant invoice. Late payment shall bear interest.
- BEPZA, at its own cost shall provide UPGDCL with necessary gas connection of required quantity and specification from the nearest DRS of Titas Gas Transmission and Distribution Company Limited for DEPZ and Karnaphuli Gas Systems Ltd. for CEPZ, and maintain such gas connection.

- Liquidated Damage for complete shut down or partial outage of the power plant is Tk. 500,000 per day for full complete shut down and for more than one hour partial shutdown within one month; the LD will be energy component of tariff.
- Any material breach by the project company of the agreement that is not remedied within 30 (thirty) days after notice from BEPZA that could result in the termination of the agreement.

A.3.6. Main Features of Power Purchase Agreement with REB

UPGDCL entered into contract with Rural Electrification Board (REB) in 2013 for supplying electricity to neighboring Dhaka Palli Biddut Samit-1. Summary of the contract can be presented as follows:

- The term of the agreement was 3 (three) years from the effective date as on May 09, 2012 of this agreement and subsequently the agreement has been renewed by which will expire on May 08, 2024.
- UPGDCL shall schedule its surplus generation from the power plant according to the requirement and direction of the Power Purchaser.
- Total tariff includes operation and maintenance cost and fuel cost.
- Billing will be as per the prevailing Indicative Benchmark Bulk Tariff (BT) determined by BERC for Gas Based Commercial Power Plant (GBCPP) in effect from time to time in Tk./KWh for power purchase from Gas based Commercial Power Plant (GBCPP) under the policy.
- REB has to make payment of the amounts due within a period of 30 days from the date of submission of the bill. Late payment shall bear an interest at Bank Rate.

A.3.7. Main Features of Power Purchase Agreement with BPDB

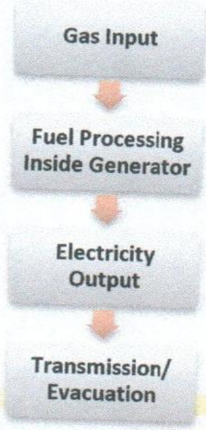
UPGDCL entered into initial contract with Bangladesh Power Development Board (BPDB) in 2009 for supplying surplus electricity of UPGDCL which has been amended for second time in 2015. The PPA inter alia includes the following important provisions:

- The term of the contract is for 3 (three) years from the effective date as on September 23, 2015 which was initially entered on September 23, 2009. Since then, two contract periods have already expired on September 23, 2018 and September 23, 2021 respectively. Now both UPGDCL and BPDB have agreed to renew the power purchase agreement for further 3 years that will expire on September 23, 2024.
- UPGDCL shall schedule its surplus generation from the power plant according to the requirement and direction of the BPDB. BPDB has the option to not to take power when there is no demand from BPDB including holiday's, winter season and during off-peak period.
- Billing will be as per the prevailing Indicative Benchmark Bulk Tariff (BT) determined by BERC for Gas Based Commercial Power Plant (GBCPP) in effect from time to time in Tk./KWh for power purchase from Gas based Commercial Power Plant (GBCPP) under the policy.
- Tariff structure includes, Reference Energy Price; Reference Energy Price has two component – Variable O&M Price and Fuel Price
- BPDB has to make payment of the amounts due within a period of 45 days from the date of submission of the bill.

A.4. Process Flow

Owing to the origin of the generators, the generation of electricity may be assumed to be efficient and modern. The primary process involved in the production of electricity is to feed the raw material, natural gas, into the Gas-fired Reciprocating engines.

A.4.1. Technology and Production Process



UPGDCL uses total of 20 sets of natural gas fired engines in two power plants to achieve its desired level of electricity production. Each engine has its own generator and accessories, Radiator and Ventilation fan control panel, synchronizing & load panel and metering & protection panel. All these equipment are controlled from a high voltage switch yard using one High voltage transformer and switch gear. The technologically advanced machineries require relatively little supervision. Apart from technical details the overall electricity production is fairly simple, natural gas which is used as raw material for power generation is supplied to the generators and the generators generate electricity which is then supplied via power grid. United Power Generation and Distribution Company Limited utilize Natural Gas for electricity generation. Titas Gas Transmission and Distribution Company Limited and Karnaphuli Gas Distribution Company Limited supply the gas to the two power plants. BEPZA provides necessary water supply to UPGDCL's power stations and a monthly water bill is paid accordingly in favor of BEPZA.

B. INDUSTRY ANALYSIS

The power sector of Bangladesh has been showing improvements over the past 13 years. The sector is being heavily focused by the government in an effort to meet the power demands and enable industries access to power without significant trouble. Government of Bangladesh has a vision to achieve total generation capacity of 30,000 MW by 2030 against the demand of 27,400 MW and 57,000 MW by 2041against the demand of 51,000 MW. To achieve the vision strategic planning has been prepared by government which includes diversified fuel based sustainable generation, expansion and up gradation of transmission and distribution system, promotion of private participation, power import from neighboring countries along with energy efficiency and conservation measures.

Demand of electricity is increasing rapidly due to enhanced economic activities in the country with sustained GDP growth. At present growth of electricity demand is around 9%-10%, which is expected to increase further in the coming year.

According to BPDB, Currently, there are 154 power plants where 58 are from public sector followed by 94 from private sector and the rest by join ventures. Bangladesh is going to cross the benchmark of 30,000MW of installed capacity in power generation pushing up the unused generation capacity by 50% within the current year 2023. According to official statistics, within the current year it will be 31,273MW leaving over 50% of it idle against the existing demand of 16,000MW. As per official statistics, the grid power generation was 22,482MW on August 1 in 2022 while it is now 24,911MW meaning that the installed capacity has increased by 2,429MW in the last one year. As on February 2023 total installed capacity is 23,482 MW whereas rented capacity is 22,700 MW. The government expects to add 25,840 megawatts (MW) of new power capacity by 2027. Of the 25,840MW of new capacity, 34 power plants of capacity 13,103 MW are under construction, 22 power plants of capacity 2,577 MW are in contract signing process and 4 power plants of capacity 550 are in tendering stages. The remaining 9,610MW of power plants are in the planning phase. Now another 3,114MW of installed capacity is in the pipeline which is coming to the national grid in the next six month totaling the country's power generation capacity to 31,273MW. More than 80% of the 31,273MW of power plants on the anvil till 2027 will run on fossil fuels, such as gas, LNG, furnace oil, diesel and coal. Renewable energy, like solar, wind and waste, will contribute around 10%. The remaining power will harness nuclear energy.

According to BPDB they had to pay BDT 260,000.00 million as capacity charge in last fiscal year 2022-23 and in the current fiscal the amount will go up to BDT 360,000.00 million. This fiscal year 2023-24 the capacity payment will increase by 80-90 percent compared to two years back.

After implementation of various power plans adopted by the government, the install capacity of the country has been increased to 23,482 MW in FY 2022-23 till January 2023, which stands at 26,700 MW including captive and renewable energy. Out of this capacity, the maximum generation yet so far was 14,782 MW on 16 April 2022. Total net electricity production was 85,607 million kilowatt-hours in FY 2021-22 and in the first six months of FY 2022-23 up to December 2022 total net electricity production stood at 44,633 million kilowatt-hours. Out of total net generation, 39.89 percent power was generated by public sector, 42.26 percent power from private sector, 7.83 percent from joint venture and 10.02 percent from power import.

Most of the power plants run on fossil fuels, such as gas, LNG, furnace oil, diesel and coal. To reduce dependency on fossil fuels, initiatives of renewable and nuclear based power generation have been considered by the government to ensure clean energy penetration to the power generation. A number of solar projects have been successfully implemented than provide 259 MW power in national grid and 418 MW in off-grid basis. As per government plan, renewable energy generation of capacity 3,000 MW will be added by 2030. Two nuclear power plant units will be commissioned in 2024 and 2025 with a combined capacity of 2,400 MW. Additionally 22,000 MW capacities will be added from fossil fuel based power plants by 2030 to meet the energy demand.

Currently, the government raised the retail price of gas by 14.5% to 178.9% for industries, power plants and commercial establishments to reduce the subsidy, which together account for 78% of gas uses in Bangladesh. As a result, the price of gas used for power generation will be BDT 14 for each cubic meter. In recent time, at least 29 gas-fired power plants are not getting gas to produce electricity as per their capacity of 6,001MW. Among this, 14 remained shut for want of gas, while the remaining 15 produced only 2,205 MW of electricity, according to the data of Power Grid Company of Bangladesh.

Private sector power generation was mostly dominated by a few large business group like United Group and Summit Group while Orion, Baraka, GBB, Shahjibazar etc. have some presence in the sector. However, as the sector proved to be one of the most lucrative and safe investment destination for investors offering significantly higher return on investment compared to other sector, a number of new business groups has joined the group with major investment in this sector and greatly contributed to expand the country's total power generation capacities by almost five times within a decade. Some mentionable new players in the industry are, Doreen, Confidence Cement group, Midland, Precision, Powerpac, Energyprima, Desh, Bangla Trac, Agreeco, Paramount, Rajlanka, Shikdar group, S. Alam group, Unique group, etc. along with handsome FDI investment in this sector. Favorable policy support from the government to increase country's power generation capacity within shortest possible time, easy credit facility by banks, attractive profit margins and early pay-back period of investment, tax exemption facility etc. has lured most of the private business groups to expand footprint in power sector.

C. BUSINESS RISK ANALYSIS

The key success factors to assess the Company include favorable industry, modern technology and upgraded machinery, maximum capacity utilization, efficient procurement of raw materials as well as effective cost control strategy. So, assessing related risks are crucial for the success of the business. Power project is free from market risk, product risk, demand risk and price risk because the project has agreement with the government regarding purchase of contracted power generation and rental price is pre fixed with a provision of inflation adjustment. Thus, the evaluation of credit quality covers the broad areas of risks like business risk, technology risk, operational risk, management evaluation, and financial risk.

C.1. Plant Risk

With the power generation of UPGDCL the primary source of revenue for the company, the company must ensure its structural integrity. The company has a fire protection system installed in its plant premises. Should there is an outbreak of fire, the company has fire extinguishers installed at strategic points of the complex whilst the employees have been provided with basic fire protection methods The plant is under the monitoring of a security team overseeing the complex via CCTV feed. A security team of 15 members hired locally by UPGDCL and trained by defense personnel with the three gates and provide security coverage within the plant perimeters. As of now, there have been no significant reports of damages due to fire, theft or burglary. Should such an event occur, the company is covered by insurance from Pragati Insurance Ltd.

C.2. Industry Risk

Industry risks refer to the impact that the country's industrial policy can have on the performance of a specific industry. At present the major industry risk by the company is high unpaid bills. According to BPDB they had to pay BDT 260,000.00 million as capacity charge in last fiscal year 2022-23 and in the current fiscal the amount will go up to BDT 360,000.00 million. This fiscal year 2023-24 the capacity payment will increase by 80-90 percent compared to two years back. If this situation continues then the power producers may face cash crunch in running day to day operational activities.

C.3. Market and Technology Risk

Market and technology-related risks arise for any industrial concern as it keeps itself aligned with innovation. Capacity of generating power is dependent largely on the capacity of its generator. The demand for new and cost effective technology may render the existing technology obsolete, which may cause negative impact on the performance of the Company.

Management of the Company has utilized state-of-the-art technology and modern machinery for its power plants. The Company's DEPZ plant has 4 units of generator sets from the world renowned gas powered engine manufacturer, Wärtsilä Finland OY and 3 units of generator sets from MTU, Germany Pte Ltd. The Company's CEPZ power plant has 5 units of generator sets from Wärtsilä, Finland OY as well. In order to ensure uninterrupted generation of electricity, UPGDCL's highly experienced and efficient team performs and carries out timely maintenance work for both the plants as per the manufacturer's guidelines and requirements. Management has safeguarded against potential disruptions in operations by procuring spare parts and lube oil from suppliers at lead times managed by professionals of the company.

C.4. Operating Risk

Unscheduled maintenance is one of the major risks that any power plant faces and UPGDCL is no different. The routine and proper maintenance of their own distribution networks undertaken by BEPZA reduces the chance of major disruptions. The entity in discussion has purchased brand new machineries; from Rolls-Royce which is a Norwegian company having over hundred years of experience with engines. Given that the machineries are brand new it is very unlikely that UPGDCL will incur unscheduled maintenance at this point of time. Operational risk constitutes the ability of the Company's power projects to generate and distribute stipulated electricity to its off-takers. Technology used, fuel supply arrangement, operational and maintenance (O&M) arrangement, political or force majeure in the form of natural disaster. Most importantly, all the above risks are covered under the insurance agreement with Eastern Insurance Company Ltd., Eastland Insurance Company Limited and Pragati Insurance company Limited to compensate for all the potential damages caused in such situations.

C.5. Legal Risk

The company is at present in a legal battle with Titas Gas Transmission and Gas Distribution Company Limited and Karnaphuli Gas Distribution Company Limited. Due to change in pricing policy of Energy and Mineral Resources Division; the two companies have demanded additional BDT 3,844.87 million and BDT 2,476.56 million, the company has file a review petition in Supreme Court. The management has not made any provision for these additional claims as significant uncertainty exists regarding the ultimate outcome.

C.6. Exchange Rate Risk

The project may face some degree of foreign exchange rate fluctuation risk as the Company imports some plant maintenance materials which require foreign exchange. However the company purchases its major raw material; the natural gas from TGTDCL&KGDCL and the transactions are done through local currency. Compared to the available size of operation the value of the company's imported raw materials is very low and the management is always alert in minimizing the negative impact of currency fluctuation cost by looking for new sources of raw materials or constantly negotiating with suppliers in reducing price. The recent devaluation of BDT against USD has made every import costlier which can raise prices of the end product for all kinds of businesses; however the cost of producing electricity is covered in the PPA of the plant of UPGDCL which lowers the risk on the company's part.

C.7. Interest Rate Risk

Interest rate risk refers to the likely changes in the cash flows or future value of a firm on account of changes in the interest rates in the market. Increase in interest rate increases the cost of borrowed funds for a company in case of floating rate loans. Interest/financial charges are paid against the Company's borrowed funds. In the event of unfavorable movement in money markets, rising interest rate could increase the cost of debt and negatively impact profitability. However UPGDCL is now a debt-free company and thus doesn't have any finance cost.

C.8. Changes in government policies

Unstable internal and international political environment could impact the economic performance in both the short term and long term. The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Bangladesh economy. Existing government rules and regulations are very favorable for the company. Any changes in the policy regarding tariff and supply of gas or lease of land may adversely affect profitability and operation of the company. The Government is committed for providing affordable and reliable electricity to all citizens by 2021 for economic and social development.

C.9. Termination risk

The power projects under the Company have limited tenure periods, thereby exposing the Company to the risk of inadequate operation period. The Power Supply Agreement (PSA) between the Company and BEPZA is for 30 years and there are provisions for renewal of the agreement for an additional 30 years thereafter. The Land Lease Agreement (LLA) between UPGDCL and BEPZA is also for 30 years and is valid based on the tenure of the PSA. Upon mutual consent, these agreements are renewable and hence the risk of inadequate operational years can be mitigated. It can be noted that other IPP power companies operating in the country are between 15 to 22 years whereas the Company's power project life spans for 60 years in total (i.e. 30 years initially and another 30 years extendable) for out of which the Company has exercised only 5 years of its project life.

C.10. Internal Control System and Compliance

The company has restructured its internal control system through documented policy guidelines, defining organizational structure, reporting of financial transactions and sound utilization and protection of resources. The operational activities are supervised by mainly two Departments namely Operation & Maintenance Department and Planning & Design Department. To ensure the operational effectiveness, UPGDCL has recruited an internal auditor and also formed an internal audit department to safeguard the interest of the shareholders. Management has adopted the Business Combination Under common Control (BCUCC) concept. Under this arrangement, results of UEL and United Ashuganj Energy Ltd. (UAEL) have been consolidated with the Company's results as if the group structure as at 30 June 2019 has always been in place.

C.11. Spare Parts Risk

For any manufacturing concern, spare parts are integral for the smooth running of its machineries. Risks may arise in case of spare parts shortage that may put at risk the whole production process. The main machineries for UPGDCL are the power generators installed in its power plants. To ensure any risks associated with spare parts shortage, engineers regularly monitors the operating conditions of the machines. Spare Parts Agreement has been made with Wartsila, Finland OY and Rolls-Royce Norway. Moreover, the Company also maintains stockpile of the frequently required spare parts in its inventories.

D. FINANCIAL RISK ANALYSIS

The rating process was based on qualitative aspects which are based on the company's policies in relation with the operating strategies, financial leverage, and ultimate financial goals of the companies. For this purpose of the overall financial risk assessment of the company, ECRL divided the financial portion into five different criteria which are Operational Performance, Profitability Analysis, Liquidity Analysis, Cash flow Analysis, Capital Structure, and overall Financial Flexibility and Solvency. Detailed analysis is presented below:

D.1 Consolidated Financial Performance

Exhibit 4: Selected Indicators: United Power Generation & Distribution Company Ltd.

FYE 30th June	2023	2022	2021
Revenue (BDT in millions)	41,309.11	49,435.16	30,580.52
Revenue Growth (%)	(16.44)	61.66	-
Cost of Sales (BDT in millions)	30,656.19	39,269.30	18,767.74
COS Growth (%)	(17.32)	109.24	-
Gross Profit Margin (%)	25.79	24.99	38.63
Net Profit Margin (%)	19.95	20.56	38.20
Debt-to-Equity (x)	0.31	0.34	0.25
Total Asset (BDT in millions)	81,187.56	86,210.35	67,673.35
Total Liabilities (BDT in millions)	49,834.73	53,012.67	34,582.35

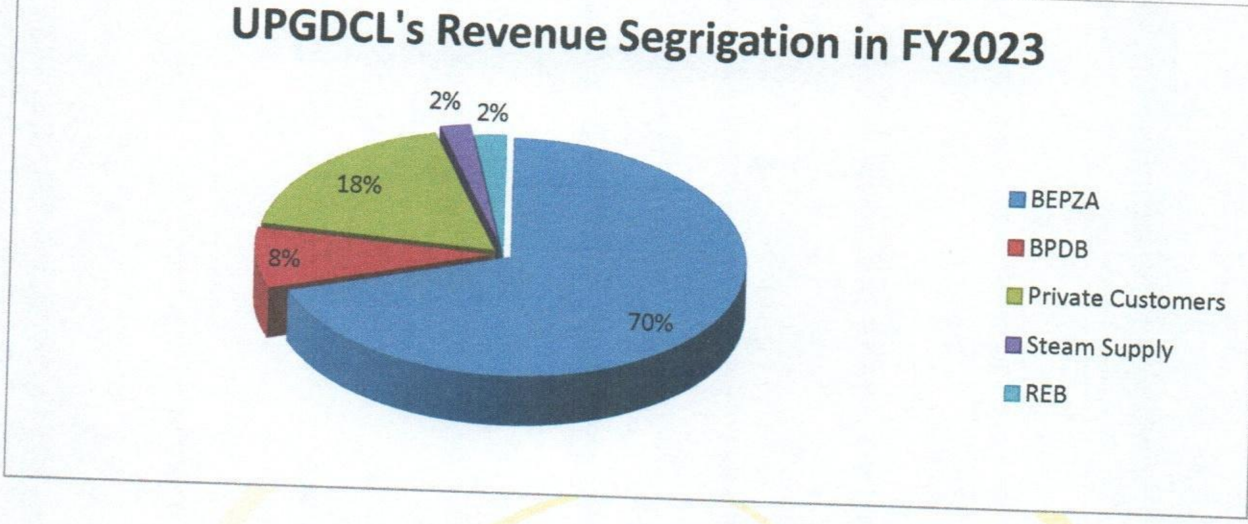
In November 2022, UPGDCL has planned to amalgamate three of its subsidiaries - United Jamalpur Power Ltd, United Anwara Power Ltd and United Energy Ltd with itself where UPGDCL is the Transferee Company and the subsidiaries are Transferor Companies. The company's consolidated accounts can provide an estimated financial performance of UPGDCL when amalgamated with those aforementioned subsidiaries in the coming year. In the FY 2023, UPGDCL and its subsidiaries collectively generated BDT 41,309.11 million in revenue, marking a 16.44% decrease from the previous year. Correspondingly, the cost of sales also saw a 17.32% decrease, totaling BDT 30,656.19 million in FY 2023. The gross profit margin exhibited growth, reaching 25.79% in 2023 compared to 24.99% in FY 2022. Despite these positive trends, a substantial foreign exchange loss and high financial expenses contributed to a decline in the net profit margin, which decreased to 19.95% in FY 2023 from 20.56% in FY 2022. Notably, the company and its subsidiaries maintain a low level of leverage in their capital structure.

D.2. Profitability

Exhibit 5: Selected Indicators: United Power Generation & Distribution Company Ltd.

FYE 30th June	2023	2022	2021	2020
Revenue (BDT in millions)	5,596.55	6,785.00	6,764.78	6,223.16
Revenue Growth (%)	(17.52)	0.30	8.70	(3.87)
Cost of Sales (BDT in millions)	3,852.27	2,318.90	2,368.31	2,328.67
COS Growth (%)	66.12	(2.09)	1.70	6.21
Gross Profit (BDT in millions)	1,744.28	4,466.09	4,396.47	3,894.49
Operating Profit (BDT in millions)	12,799.83	10,439.17	20,639.10	3,843.50
Net Profit (BDT millions)	13,338.99	11,259.34	21,024.94	4,348.77
Gross Profit Margin (%)	31.17	65.82	64.99	62.58
Operating Profit Margin (%)	228.71	153.86	305.10	61.76
Profit Before Tax Margin (%)	238.34	165.94	310.82	69.90
Net Profit Margin (%)	238.34	165.94	310.80	69.88
ROA (%)	38.86	36.69	71.26	27.42
ROE (%)	39.35	37.03	72.49	27.84
ROCE (%)	37.72	34.30	71.10	24.56

FY2020-2023 Data Extracted from Audited Financial Statements



The company had produced 721,174 MWH electricity compared to 991,615 MWH in the previous year while having capacity to produce 1,232,000 MWH in a year. The capacity utilization combining DEPZ and CEPZ plants was lower at 58.54% from 80.49% in the previous year. In line with capacity utilization the revenue generation of UPGDCL decreased by 17.52% from previous year on the other hand cost of sales directly associated to revenue has increased by 66.12% giving the gross profit margin of the company reduce to 31.17% from 65.82% in the preceding year.

UPGDCL derives its revenue from two primary sources: electricity supply and steam supply to dyeing companies situated in the DEPZ area. However, the income generated from steam supply is considerably lower when compared to electricity supply. The majority of the revenue from electricity supply originates from the Bangladesh Export Processing Zone (BEPZA) at 70%, followed by private customers at 18%, the Bangladesh Power Development Board (BPDB) at 8%, and the Bangladesh Rural Electrification Board (BREB) at 2%. In the year 2023, UPGDCL experienced a substantial increase in dividend payments from its three subsidiary companies: United Anwara Power Limited, United Energy Ltd, and United Jamalpur Power Limited. This significant boost played a pivotal role in fortifying the company's operating profit, while previously in 2022 only United Anwara Power Limited provided dividends. As a result, the operating profit was higher than the total revenue in the recent year. Furthermore, UPGDCL also generated BDT 540.85 million in finance income from loans to related parties and interest on short-term deposits. The company has received exemption from all related taxes from the Government of Bangladesh under the Private Sector Power Generation Policy for a period a 15 years from start of its commercial operation. Due to having a large amount of dividend from its three subsidiary companies the operating profit of the company is higher than its revenue as a result the operating profit margin of the company is higher than its gross profit margin, since the dividend income is significantly higher than previous year, the operating profit margin escalated to 228.71% from 165.94% preceding year. Furthermore, generated financial income led to higher net profit margin to 238.34% in FY 2023. However, the company's gas suppliers claim additional charge which is at legal proceeding stage and still pending for hearing before the Honorable appellate division of the Supreme Court of Bangladesh. If the judgment did not go in favor of the company, the company will have to pay BDT 6,321.43 million to its gas supplier which will impact in the profitability of the company. The bloated profitability figures in 2023 resulted in increased asset utilization in the forms of return on assets, return on equity and return on capital employed ratios. All of these ratios increased significantly in the latest year in review.

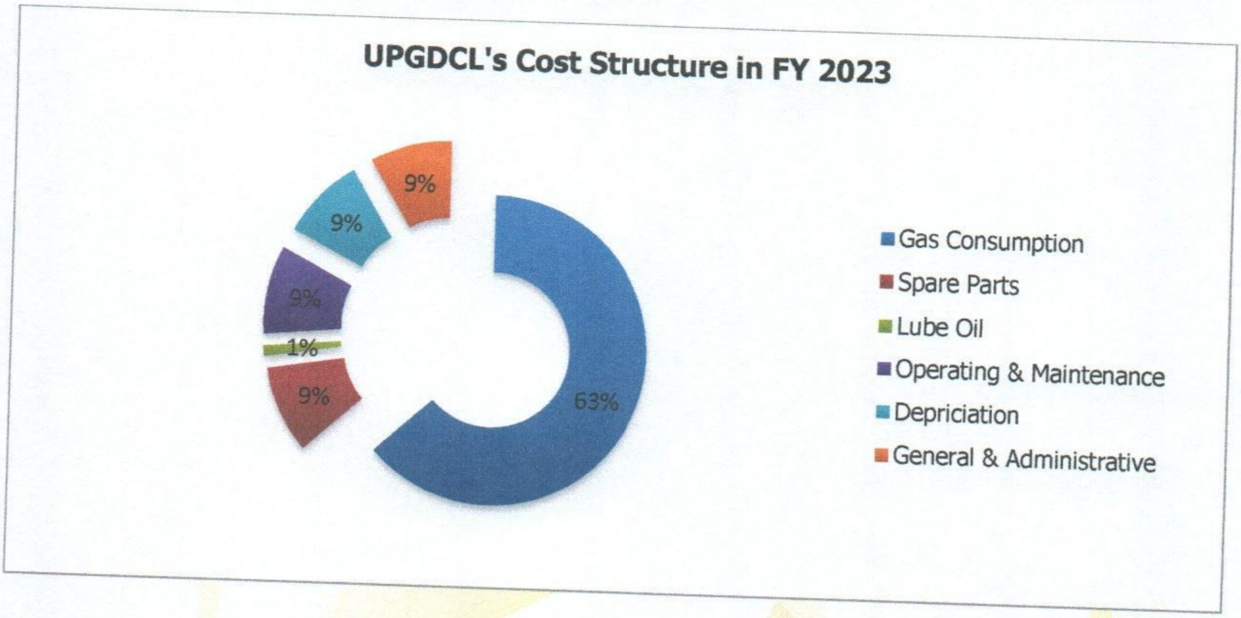
D.3. Cost Efficiency

Exhibit 6: Selected Indicators: United Power Generation & Distribution Company Ltd.

FYE 30th June	2023	2022	2021	2020
Cost to Revenue Ratio (%)	68.83	34.18	35.01	37.42
Operation & Maintenance Expense to Revenue Ratio (%)	2.71	8.95	9.04	9.30
General & Administration Expense to Revenue Ratio (%)	6.43	0.92	1.00	0.88

Finance Cost to Revenue Ratio (%)	0.00	0.00	0.00	0.00

FY2020-2023 Data Extracted from Audited Financial Statements



The cost efficiency ratio (cost of sales to sales revenue) of the company has been significantly increases from previous financial year impacted by the cost of gas consumption which increased by almost 92% from prior financial year. In 2023, the operating & maintenance expense to revenue ratio has lowered to 2.71% aided by decreasing of operation and maintenance expenses. On the other hand due to having a high amount of bad debt expenses General & Administration Expense to Revenue Ratio increased to 6.43% in FY 2023 which was 0.92% a year ago. The company had very little financial expenses that came out at almost nil compared to revenue.

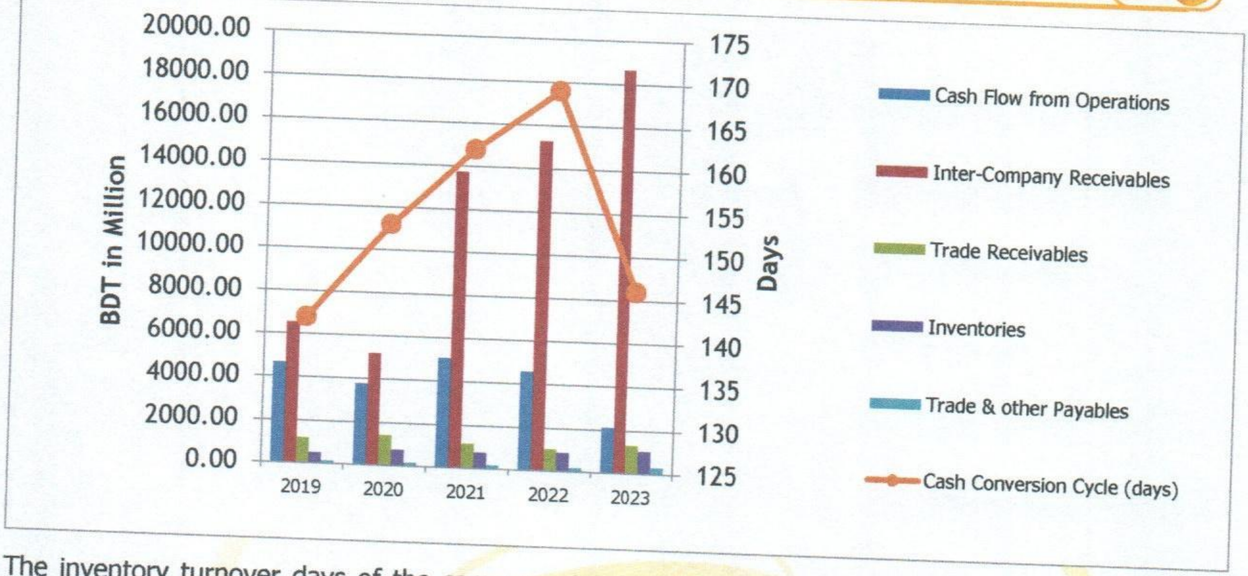
D.4. Liquidity Analysis

Exhibit 7: Selected Indicators: United Power Generation & Distribution Company Ltd.

FYE 30th June	2023	2022	2021	2020
Current Ratio (x)	54.56	70.84	34.47	37.21
Quick Assets Ratio (x)	51.95	67.36	32.93	33.70
Trade Receivables (days)	75	65	69	76
Trade Payables (days)	19	23	20	19
Inventory Turnover (days)	90	126	113	96
Cash Conversion Cycle (days)	146	169	162	153

FY2020-2023 Data Extracted from Audited Financial Statements

The current ratio of UPGDCL decreased to 54.56 times in FY 2023 due to significant increases in trade payable still the entity has very strong liquidity position as the company has very high receivable from its subsidiary company United Mymensingh Power Ltd. amounting BDT 18,641.84 million which is increasing over the years. However, excluding the receivable from its subsidiary still the company will have strong liability position. As inventory does not cover a major portion of the current asset, the quick asset ratio stayed close to the current ratio at 51.95 times in FY2023.



The inventory turnover days of the company stood at 90 days in FY 2023 as the company relies on importing spare parts for its two plants. In FY2023, it took approximately 75 days for the company to collect its receivables and from ageing of trade receivable (gross) of the company it was revealed most of the dues are due past 365+ days which is a concerning issue of the company However, the company maintains a stable average payment period to its creditors as visible in the years under review where the cash conversion cycle stood at 146 days from 169 days in the previous year.

D.5. Cash-flow Coverage

Exhibit 8: Selected Indicators: United Power Generation & Distribution Company Ltd.

FYE 30th June	**2023**	**2022**	**2021**	**2020**
CFO (BDT in millions)	2,118.76	4,595.52	5,079.80	3,786.91
CFO Interest Coverage (x)	-	-	-	-
CFO Debt Coverage (x)	-	-	-	-
CFO Short-Term Debt Coverage (x)	-	-	-	-
CFO Long Term Debt Coverage (x)	-	-	-	-

FY2020-2023 Data Extracted from Audited Financial Statements

UPGDCL reports large amount of surplus cash flow from its operation at each year end as evident from the table above in 2020-2023 periods. However, money received in cash from clients decreased from preceding year on the other hand cash paid to its suppliers and others significantly increased causing decrease in the company's cash flow from operation. The company doesn't have any short term or long term funded loans outstanding and thus the CFO debt coverage ratios were calculated nil.

D.6. Leverage & Capital Structure

Exhibit 9: Selected Indicators: United Power Generation & Distribution Company Ltd.

FYE 30th June	**2023**	**2022**	**2021**	**2020**
Debt-to-Equity (x)	-	-	-	-
Interest Coverage ratio	7,572.35	5,909.98	14,053.92	2,528.90
Total Liabilities to Total Assets (x)	0.01	0.01	0.02	0.01
Long Term Debt Ratio (x)	-	-	-	-
Short Term Debt Ratio (x)	-	-	-	-

FY2020-2023 Data Extracted from Audited Financial Statements

UPGDCL utilizes services provided by different banks. Nevertheless, based on the audited financial statement for the company, there were no outstanding long-term or short-term liabilities at the conclusion of the fiscal year 2023. As a result, the debt-to-equity ratio, along with the long-term and short-term debt ratios, was determined to be zero. The company reported that only 0.01 times the total liabilities compared to its total assets, indicating that a mere 1% of the company's assets were financed through liabilities. These results clearly indicate that the capital structure of UPGDCL is entirely based on equity.

D.7. Bank Facilities & Credit History

Exhibit 10: Bank Loan: United Power Generation & Distribution Company Ltd.

Bank	Mode	Existing outstanding (BDT in Millions)	Total limit (BDT in Millions)
HSBC (October 31, 2023)	L/C	63.31	*618.80
	Accepted bills	140.44	
	Shipping guarantee	0.37	
	A. Sub Total	**204.12**	**618.80**
Jamuna Bank Limited (November 29, 2023)	Rev. LC	4.77	1,000.00
	LTR	-	250.00
	Rev. SOD	0.001	50.00
	REV BG	205.51	600.00
	B. Sub Total	**210.28**	**1,900.00**
Dhaka Bank Limited (November 28, 2023)	L/C- Revolving	7.88	350.00
	LTR- Revolving	-	(300.00)
	Overdraft	-	150.00
	Bank Guarantee	217.57**	50.00
	C. Sub Total	**225.45**	**550.00**
	Grand Total (A+B+C)	**639.85**	**3,068.80**

*USD 1 = BDT 110.50 considered

**Excess BG facility allowed by utilizing other limit of the group

United Power Generation & Distribution Company Ltd. has been maintaining banking relationship with HSBC, Jamuna Bank Limited and Dhaka Bank Limited respectively. The company has access to overdraft facilities for working capital finance, letter of credit facilities (LC) to import raw material, capital machinery, accessories, lube oil and spare parts etc, bank guarantee favoring govt., semi-govt. and other autonomous bodies.

As per provided sanction advice of respective banks, UPGDCL has been sanctioned a total amount of BDT 3,068.80 million under different mode mentioned in the above table. The company has limit from HSBC of BDT 618.80 million, Jamuna Bank Limited of BDT 1,900.00 million and Dhaka Bank Limited of BDT 550.00 million. As per declarations provided by the above mentioned banks, the total outstanding liabilities of UPGDCL stood at BDT 639.85 million against the total loan limit. The company maintains healthy relationship with banks and had satisfactory past performance with regular payment as presented in the documents provided by the corresponding banks.

D.8. Security

On availing credit facility from the designated banks, United Power Generation & Distribution Company Ltd. provided the following securities-

HSBC

- Demand Promissory Note for BDT 476.00 million with Letter of Continuity & Revival
- Personal guarantee to be executed by Moinuddin Hasan Rashid for BDT 476.00 million
- Corporate Guarantee to be executed by United Mymensingh Power Ltd. for BDT 476.00 million with supporting Board Resolution
- Lien over 7,500,000 shares of UPGDCL owned by United Mymensingh Power Limited under the ownership of United Group's sponsors in favour of HSBC.
- Lien over 10,000,000 shares of UPGDCL owned by United Mymensingh Power Limited under the ownership of United Group's sponsors in favour of HSBC.
- Lien over 2,500,000 shares of UPGDCL owned by United Mymensingh Power Limited under the ownership of United Group's sponsors in favour of HSBC.

Jamuna Bank Limited:

- Corporate Guarantee of Neptune Land Development Limited, supported by Board Resolution, Memorandum of Association & Articles of Association.

- Corporate Guarantee of United Enterprises & Co. Ltd., supported by Board Resolution, Memorandum of Association & Articles of Association for Bank Guarantee limit of United Securities Limited
- Usual Charge documents

Dhaka Bank Limited:

- Hypothecation on all fixed & floating assets including stocks & receivables of the company
- Corporate guarantee of United Enterprises & Co. Ltd.
- Basic Charge Documents.
- Counter guarantee in case of BG
- Letter of trust receipt in case of LTR

E. MANAGEMENT AND OTHER QUALITATIVE FACTORS

E.1. Corporate Governance

The issue of corporate governance as a factor of transparent management has now been recognized in the corporate management arena. It is a blend of law, regulations, enforcement and appropriate voluntary practices by the companies that permit a corporate to attract capital, perform efficiently and generate long term economic value for its shareholders while respecting the interest of its stakeholders and society as a whole. In view of the above, UPGDCL is running under good corporate governance. Managing Director holds all power and takes every single decision on day to day basis. The company is a compliance maintained company where different persons hold the position with separate specific responsibilities set by the board. The company is compiled by having an audit committee as sub-committee of the board of Directors with three members accountable for overseeing the financial reporting process, monitoring the choices of accounting policies and principles, monitoring internal control risk management process etc.

UPGDCL is a public limited company and is managed and controlled by the Board of Directors. UPGDCL has been operating with a good corporate management team which is being supported by a group of experienced and qualified professionals. The Board of UPGDCL is comprised of total 18 Directors including three Independent Directors. General Md. Abdul Mubeen, SBP, ndc, psc (Retd) is the Chairman of the Board and also Chairman of UPGDCL. The Board formulates strategic objectives and policies for the company, provides leadership and supervises management actions in implementing objectives of the company. Written notices of the Board meeting mentioning agenda along with working papers are circulated ahead of the meeting; minutes are correctly recorded, signed by the Chairman and circulated. The operational activities are divided into several departments such as Marketing, Production, Accounts & Finance, Cost and Budget, Supply Chain Management which are being headed by experienced professional team members.

E.2. Audit Committee

The Audit Committee of UPGDCL is comprised of 3 members of the BoD and is convened by Lt. Gen. Sina Ibn Jamali, awc, psc (Retd). This Audit Committee acts as a bridge among the BoD, Executive Authority and Shareholders etc. The committee reviews the financial statement of the bank at least on quarterly basis. They conduct various special reviews by the Board Audit Cell, a highly empowered cell working under the committee.

E.3. Human Resource Management

UPGDCL recognizes human resource as the most important resource and for this it tries to create a congenial working environment within the company. The company follows structured service rule to deal with employees and to ensure transparency at all level. However, United Power Generation & Distribution Company Ltd. has entered into a management agreement with United Engineering & Power Services Ltd. (UEPSL) for providing technical and operational support. Therefore, technically no. of employees of UPGDCL during the year is "nil". However, operation and maintenance (O&M)) activities of the company is managed by 171 employees of United Engineering & Power Services Ltd. under O&M contract.

To develop and equip the employees with essential skills, the company places great emphasis on the development of its people and hence the Company undertakes appropriate training and workshops to update their knowledge in their respective functional areas. UPGDCL has implemented Training Needs Assessment (TNA) as part of its training system. The aspects of Training Needs Analysis include determining what is required to complete the work activity, the existing skill levels of the staff completing the work and the training gap (if any). The training equipped the plant personnel with technical and organization skills.

E.4. Corporate Management

As mentioned earlier, United Power Generation & Distribution Company Ltd. has entered into a management agreement with United Engineering & Power Services Ltd. (UEPSL) for providing technical and operational support. The corporate management team of UPGDCL is very experienced and efficient that is led by Managing Director Mr. Moinuddin Hasan Rashid having long exposures in the power sector. On 12 July 2011 he was appointed as Managing Director of United Enterprises & Co. Ltd., and simultaneously holds the position of the Managing Director for United Power Generation and Distribution Co. Ltd. Mr. Moinuddin Hasan Rashid is aided by Chief Executive Officer (CEO) Mr. Md. Moinul Islam Khan, Chief Operating Officer, Mr. Sheikh Ashraf Hossain, Company Secretary (CS) Mr. Badrul Haque Khan, FCA, Chief Financial Officer (CFO) Mr. Mostak Ahmmed, FCA, In-charge of Finance & Accounts, Head of Internal Control & Compliance Mr. Khaled Mohammad Munirul Muktadir, FCA. Mr. Sheikh Ashraf Hossain has 32 years of experience in power sector of Bangladesh. Managing administrative, financial and risk management operations of UPGDCL as well as financial planning, record keeping is monitored by Chief Finance Officer, Mr. Mostak Ahmmed, FCA.

E.5. Management Information System

The Management Information System of the company is moderate. The company has its own web based data communication system among the power plants and Head Office. Each work stations of head office are connected through LAN. Without having any automated software, the company is using different packages to generate management report. The company uses an advanced ERP system for keeping the record of accounting system.

F. CORPORATE INFORMATION AS AT February 06, 2023

Board of Directors

Name	Position Held
General Md. Abdul Mubeen SBP, ndc, psc (Retd)	Chairman
Mr. Hasan Mahmood Raja	Director
Mr. Akhter Mahmud	Director
Mr. Ahmed Ismail Hossain	Director
Mr. Khandaker Moinul Ahsan	Director
Mr. Md. Abul Hossain	Nominated Director, ICB
Mr. Malik Talha Ismail Bari	Director
Mr. Nasiruddin Akhter Rashid	Director
Mr. Nizamuddin Hasan Rashid	Director
Mr. Khondaker Zayed Ahsan	Director
Mr. Moinuddin Hasan Rashid	Managing Director
Lt. Gen. Sina Ibn Jamali, awc, psc (Retd)	Independent Director
Prof. Mohammad Musa, PhD.	Independent Director
Dr. M. Fouzul Kabir Khan	Independent Director

Management Team

Name	Position Held
Mr. Moinuddin Hasan Rashid	Managing Director
Mr. Kutubuddin Akhter Rashid	Associate Director
Mr. Md. Moinul Islam Khan	Chief Executive Officer (CEO)
Mr. Sheikh Ashraf Hossain	Chief Operating Officer (COO)
Mr. Mostak Ahmmed, FCA	Chief Financial Officer (CFO) & Company Secretary (CS)
Mr. Khaled Mohammad Munirul Muktadir, FCA	Head of Internal Control & Compliance

Shareholders

United Mymensingh Power Ltd.	90.00%
Investment Corporation of Bangladesh	2.82%
General Investors	7.18%

Auditor

Hoda Vasi Chowdhury & Co
Chartered Accountants,
BTMC Bhaban (6th &7th floor), 7-9 Karwan Bazar Commercial Area, Dhaka - 1215

Registered Office

Gulshan Centre Point, Plot 23-26,
Road 90, Gulshan 2, Dhaka 1212
PABX: +88 02 5505 2000, +88 09666 700900
Fax: +88 02 5505 1826, +88 02 5505 1827
Email: info@unitedpowerbd.com
Website: www.unitedpowerbd.com

Power Plants Location

UPGDCL DEPZ

Dhaka Export Processing Zone
Plot No 280, Extension Area
Ganakbari, Savar, Dhaka
Tel: +88 02 7788 460
Fax: +88 02 7788 461
Email: depz@united.com.bd

UPGDCL CEPZ

Chattogram Export Processing Zone,
Plot No. 6 & 7, Sector 2/A,
South Halishahar, Chattogram
Tel: +88 031 740 449
Fax: +88 031 740 450
Email: cepz@united.com.bd

RATING SYMBOL

LONG-TERM RATINGS

ECRL's Long-Term Ratings are assigned to debt with maturities of more than one year. These debt ratings specifically assess the likelihood of timely repayment of principal and payment of interest over the term to maturity of such debts.

RATING	DEFINITION
AAA	Indicates that the ability to repay principal and pay interest on a timely basis is extremely high.
AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited increment risk compared to issues rated in the highest category.
A	Indicates the ability to repay principal and pay interest is strong. These issues could be more vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BBB	This grade indicates an adequate capacity to repay principal and pay interest. More vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BB	This rating suggests that likelihood of default is considerably less than for lower-rated issues. However, there are significant uncertainties that could affect the ability to adequately service debt obligations.
B	Indicates a higher degree of uncertainty, and therefore, greater likelihood of default. Adverse developments could negatively affect repayment of principal and payment of interest on a timely basis.
C	High likelihood of default, with little capacity to address further adverse changes in financial circumstances.
D	Payment in default.

Notes: *Long-Term Ratings from AA to B may be modified by the addition of a plus (+) or minus (-) suffix to show relative standing within the major rating categories. Bank-guaranteed issues will carry a suffix (bg), corporate-guaranteed issues, a (cg), issues guaranteed by a financial guarantee insurer (FGI), an (fg), and all other supports, an (s) when such guarantees or supports give favorable effect to the assigned rating.*

SHORT-TERM RATINGS

ECRL's Short-Term (ST) Ratings are assigned to specific debt instruments with original maturities of one year or less, and are intended to assess the likelihood of timely repayment of principal and payment of interest.

RATING	DEFINITION
ST - 1	The highest category; indicates a very high likelihood that principal and interest will be paid on a timely basis.
ST - 2	While the degree of safety regarding timely repayment of principal and payment of interest is strong, the relative degree of safety is not as high as issues rated ST-1.
ST - 3	This grade indicates while the obligation is more susceptible to adverse developments, both internal and external, the capacity to service principal and interest on a timely basis is considered adequate.
ST - 4	This rating suggest likelihood of default is considerably less than for lower rated issues but faces significant uncertainties that could impact its financial commitment on the obligation.
ST - 5	High likelihood of default, with little capacity to address further adverse changes in financial circumstances.
ST - 6	Payment in default.

Notes: *Short-Term (ST) Ratings will also carry a suffix (bg) for bank-guaranteed issues, (cg) for corporate-guaranteed issues, (fg) for FGI-guaranteed issues, and (s) for all other supports when such guarantees or supports give favorable effect to the assigned rating.*

Rating Outlook

ECRL's Rating Outlook assesses the potential direction of the Corporate Debt Rating over the intermediate term (typically over a one to two-year period). The Rating Outlook may either be :

POSITIVE	Which indicates that a rating may be raised;
NEGATIVE	Which indicates that a rating may be lowered;
STABLE	Which indicates that a rating is likely to remain unchanged; or
DEVELOPING	Which indicates that a rating may be raised, lowered or remain unchanged.