



# **LALPIR POWER LIMITED**

Corporate Briefing Session

on Annual Audited Accounts for the Financial Year ended December 2020

# Company Brief



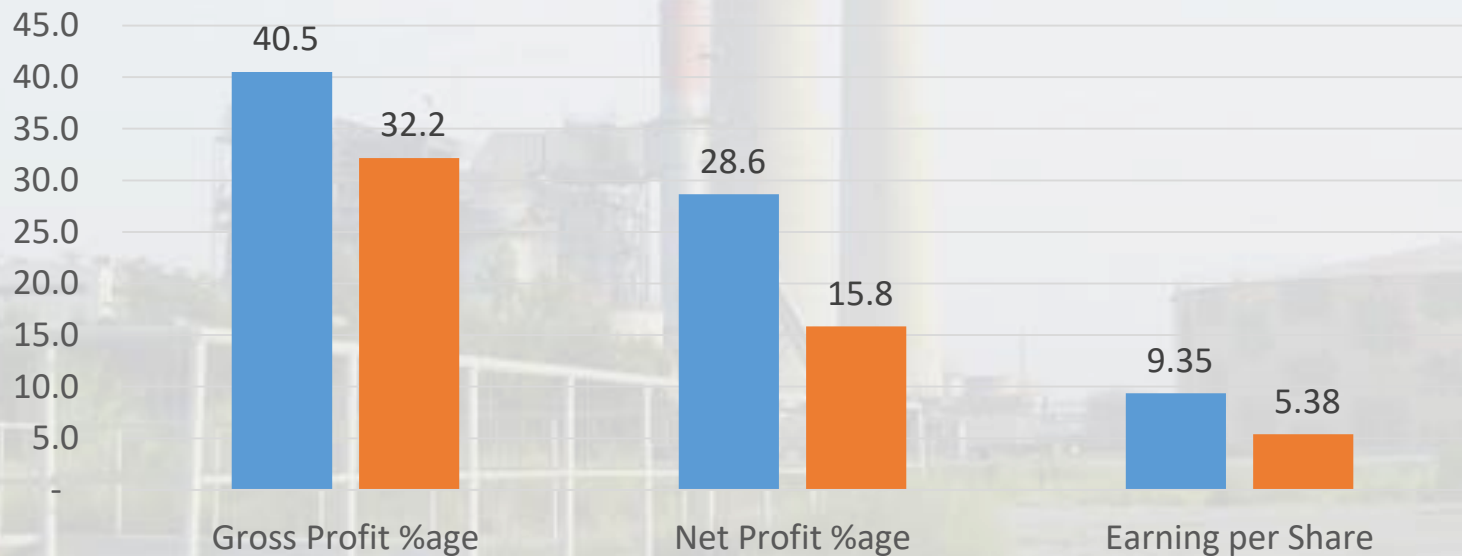
- ❑ Located at Mehmood Kot, Muzaffargarh Punjab
- ❑ Gross capacity: 362 MW
- ❑ Net/ Dependable Capacity: 350 MW
- ❑ Technology: Oil-Fired Steam Turbine
- ❑ Established under the “Power Policy 1994”
- ❑ Incorporated in year 1994
- ❑ Commissioning Date: November 6, 1997
- ❑ Shares listed in year 2013

# Operational Highlights

## Capacity Utilization (%age) 2020 vs 2019



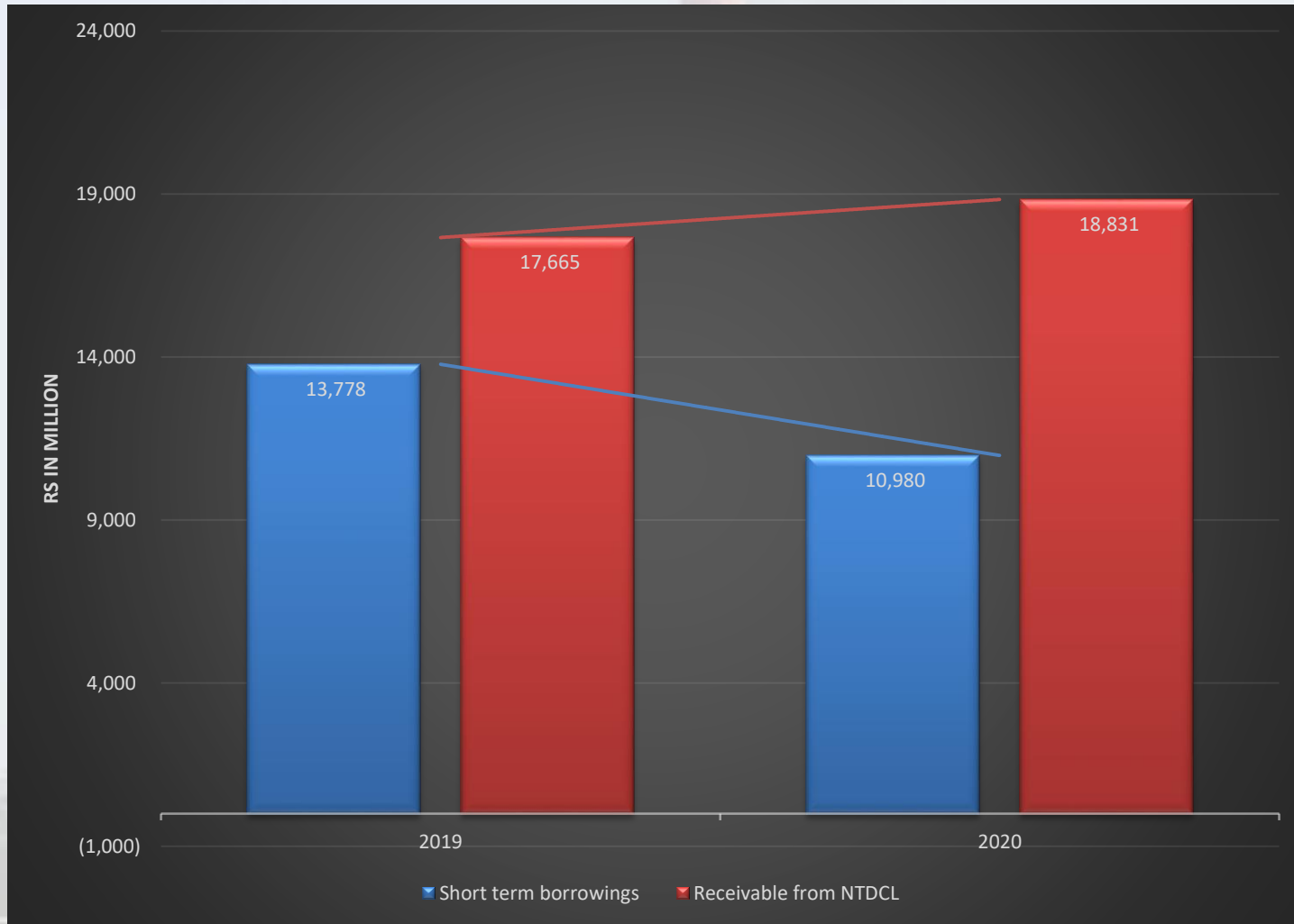
# Financial Highlights



# Strategic/Operational Developments

- In response to load demanded by CPPA-G, the Lalpir plant operated at capacity factor of 11.1% with a load factor of 55.7% and an availability of 99.9% and dispatched 341.420 GWh of electricity during the year. The Company continues to allocate funds on various improvement projects towards the ongoing modernization of the plant in order to ensure its long term integrity and maximum availability for its customer CPPA-G.

# Challenges



# Challenges

## Arbitration Disputes

During 2018, the Company filed case for arbitration in the International Chamber of Commerce (ICC) to resolve the following matters, as per the mechanism allowed by PPA for resolutions of disputes:

- ❑ The Power Purchaser unlawfully set off amounts from payments due to the Company
- ❑ The Power Purchaser has unlawfully deducted amounts from the Company's invoices on the basis of fuel supply
- ❑ The Power Purchaser has failed to renew the WAPDA Letter of Credit
- ❑ The Power Purchaser has failed to pay interest in full on its delayed payments

On 18 December 2020, the Arbitrator has issued Final Award.

## PPA Amendment

Our sole customer CPPA-G remains unable to meet its obligations in accordance with the Power Purchase Agreement (PPA) which are secured under a sovereign guarantee of Government of Pakistan. As on 31 December 2020, an amount of Rupees 18.831 billion was outstanding against CPPA-G.

Subsequent to year end, the Company entered into “Master Agreement” and “PPA Amendment Agreement” with CPPA-G in order to get payment of its overdue receivables as on 30<sup>th</sup> November 2020 amounting to Rs. 15.483 billion. This amount will be paid as 40% in first installment and remaining 60% in second installment. Above installments shall be made in the breakup of 1/3<sup>rd</sup> cash, 1/3<sup>rd</sup> in the form of tradeable Ijarah Sukuk, and 1/3<sup>rd</sup> in the form of tradeable Pakistan Investment Bonds (PIBs).

According to the agreement, the Company has voluntarily reduced its Capacity Purchase Price (CPP) and Variable O & M by 11%. Furthermore, 50% of the reduced CPP shall not be indexed with USD Exchange rate and US CPI. Whereas remaining 50% of reduced CPP shall continue to be indexed with USD Exchange rate and US CPI.



## The Terms of the PPA Amendment Agreement II

- A. Minimum load of the Complex has been increased from 20% to 50% in line with OEM recommendation of the total capacity of the complex. [This will reduce machinery breakdown, increases plant life and reduce delta losses ].
- B. Different disputes (arbitration/expert mediation) have been resolved through signing of this settlement consisting of following points:
- i. The Company has waived off interest on interest. In return the Company would get payments based on First In First Out (FIFO) principle. [CPPA-G will now release payment of our long outstanding interest invoices and the Company can charge interest on increased overdue balances of Capacity and Energy invoices]. If FIFO principle is not followed then the Company's right to claim interest on interest will resume.
  - ii. The shutdown period of the complex on account of non-availability of fuel has been treated as Other Force Majeure Event (OFME) under the Power Purchase Agreement (PPA) and Term of the PPA has been extended by 248 days. During this extended period the Company will issue Energy Purchase Price invoices only and will not issue Capacity Purchase Price (CPP) invoices for these 248 days, and accordingly Liquidated Damages (LDs) amounting Rs.3.3 Billion imposed on the Company for this period shall be withdrawn by the Central Power Purchasing Agency (Guarantee) Limited.
  - iii. The Company is entitled to procure fuel from any licenced Oil Marketing Company other than Pakistan State Oil Company Limited (PSO). [The Company can now buy fuel on Competitive basis].

# Business Outlook

- Due to induction of new power generation plants based on hydel energy, coal, renewable and RLNG at a lower price, it is expected that Lalpir will only be dispatched in peak demand seasons, in case of interruption in supply of RLNG or in low water months. This will help Company minimize its fuel losses.
- Financial impact of PPA Agreement will be projected net loss of Rs. 747 million which is mainly because of not raising CPP invoice for 248 days.

A photograph of an industrial facility, likely a power plant or refinery, featuring two prominent tall smokestacks with red and white horizontal bands. The scene is hazy, and a metal fence is visible in the foreground. The text "Questions and Answers" is overlaid in the center.

# Questions and Answers

A photograph of an industrial facility, likely a power plant or refinery, featuring several tall, cylindrical smokestacks. The smokestacks are painted with alternating red and white horizontal bands. White plumes of smoke or steam are rising from the stacks. In the foreground, there is a metal fence and some industrial buildings. The overall scene is somewhat hazy or overcast.

**Thank You**