



**Date**

01-Oct-20

**Analyst**

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**Applicable Criteria**

- Methodology | IPP | Jun-20
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-20
- Criteria | Rating Modifier | Jun-20

**Related Research**

- Sector Study | Power | Jan-20

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**PACRA Maintains Entity Ratings of Lalpir Power Limited**

Rating Type	Entity	
	Current (01-Oct-20)	Previous (02-Oct-19)
<b>Action</b>	Maintain	Maintain
<b>Long Term</b>	AA	AA
<b>Short Term</b>	A1	A1
<b>Outlook</b>	Stable	Stable
<b>Rating Watch</b>	-	-

The ratings reflect the regulated structure of Lalpir Power Limited (Lalpir Power) business; whereby revenues and cash flows are guaranteed by the sovereign government given adherence to agreed operational parameters. A risk of any decrease in efficiency factor against required benchmark would be borne by the Company itself given the fact, Lalpir Power is managing its operations and maintenance (O&M) in-house. Topline of the company, coupled with capacity utilization has decreased, owing to lower power generation during the period demanded by power purchaser amid to better energy mix. Receivable days has increased during 1HYCY20 owing to the delay in timely receipt of receivables; however, minor recovery in overdue receivables from the Energy Sukuk of PKR200bln is observed and settlement of pending receivables is considered crucial. Lalpir Power has been paying dividend which in times of need is an internal source of liquidity available. The long term project debt was completely paid off in 2010; thus, company’s debt position mainly reflects current borrowings secured to bridge the working capital requirements and maintenance of projects. Because of the mounting receivables and consequent funding thereof from banking lines, utilization of working capital line remained significant. The management is harnessing internal resources for working capital funding and if need be may be resorting to enhance external lines.

Upholding operational performance in line with agreed performance levels would remain a key rating driver. Meanwhile, despite seeking comfort in take or pay tariff regime, any significant increase in overdue receivables, as a result of rising circular debt, coupled with insufficient available working capital financing, in turn weakening in financial risk profile may negatively impact the ratings.

**About the Entity**

Lalpir Power Limited (Lalpir Power) was established for electricity generation under the power policy 1994 as an Independent Power Producer (IPP). The plant, with a total project cost of USD 347mln, is located at Mehmood Kot, near Muzaffargarh (Punjab) and has an installed capacity of 362MW. The project has a remaining life of 8 years (ending in March-2028) under the PPA. The Company has entered into a contract for a period of thirty years for purchase of fuel from PSO. Lalpir Power’s O&M activities are handled by an in house team trained under the expertise of AES, former O&M operator. This team is involved in O&M activities since the plant’s COD and hence carries significant experience. Lalpir Power is listed on Pakistan Stock Exchange.

The major shareholders of the company are Nishat Group (44.64%) and City Schools (Private) Limited (18.17%). While institutions hold (26.67%) and individuals (10.11%). Majority of the board members represent Nishat Group and are group Executives. Mr. Hassan Mansha, heading the Nishat Group's interest in power sector, is the Chairman of the board. All the board members are seasoned professionals having interest in various sectors of the industry. The management team comprises of qualified professionals possessing sufficient experience in the power sector.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.