The Pakistan Credit Rating Agency Limited

PRESS RELEASE

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Applicable Criteria
- Methodology | Correlation between long-term and short-term rating scale (Jun 17)
- Methodology | Criteria Modifiers (Jun 17)
- Methodology | Independent Power Producers (IPP) (May 17)

Related Research
- Sector Study | Power Generation (Mar 17)

PACRA Maintains Entity Ratings of LalPir Power Limited

Rating Type	Entity	
	Current (22-Dec-2017)	Previous (08-Jun-2017)
Action		Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect the regulated structure of Lalpir's business; Whereby revenues and cash flows are guaranteed by the sovereign government given adherence to agreed operational parameters. On standalone basis, reduced delta between required and actual efficiency levels has helped in better operational performance. However, negative delta, though reducing, remained a drag. Business risk is considered low exhibited by demand risk coverage under Power Purchase Agreement signed between Power purchaser and the company. Receivable days almost doubled in CY16. However, modest reduction can be seen in 6MCY17. The Company has been consistent in paying dividends. Lalpir Power repaid its long term project debt in 2010. However, current borrowings reflects the need to bridge the working capital requirements and maintenance projects.

Conversion of plant from oil fired to coal and participation in planned investment by parent Nishat Group to set up a new 660MW coal power plant are in process. However, the progress has been slowed down due to the government restriction on use of imported coal to certain projects only.

Upholding operational performance in line with agreed performance levels would remain a key rating driver. Accumulation of debt to finance CAPEX the coal conversion project and/or fresh investment in new power project – may impact financial risk profile of the company. Concurrently, any significant increase in overdue receivables, as a result of rising circular debt, may negatively impact the ratings.

About the Entity
Lalpir Power Limited (Lalpir) 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 10 years (ending in 2027) under the PPA. The Company has entered into a contract for a period of thirty years for purchase of fuel from PSO. Lalpir is listed on Pakistan Stock Exchange.

The major shareholders of the company are Nishat Group (45%) and City Schools (Private) Limited (18%). 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. The board includes two executive directors Mr. Aurangzeb Firoz, CEO of the company and Mr. Khalid Qadeer Qureshi, CFO of the company. They are supported by the experienced management team.