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Applicable Criteria

- Methodology | Independent Power Producers (IPP) (Jun 16)

Related Research

- Sector Study | Independent Power Producers (Feb 16)

PACRA Maintains Entity Ratings of Nishat Power Limited

| Rating Type | Entity | |
|---------------------|--------------------------|---------------------------|
| | Current (17-Dec-2016) | Previous (18-Dec-2015) |
| Action | Maintain | Maintain |
| Long Term | A+ | A+ |
| Short Term | A1 | A1 |
| Outlook | Stable | Stable |
| Rating Watch | - | - |

Nishat Power Limited runs a 200MW power plant. The company operates in the regulated power sector. It enjoys sovereign guarantee against receivables from power purchaser - NTDC - given adherence to agreed performance benchmarks. The company, after expiry of operations and maintenance (O&M) contract with Wartsila Pakistan, has beefed-up its in-house team to enable it to manage O&M function effectively. While cost-savings are a likely outcome, any deviation from operational benchmarks may have its adverse implications on the company. The company's financial risk profile is largely dependent on repayment behavior of power purchaser. In recent period, receivables witnessed an increase. Nevertheless, the company has been managing its working capital requirements from internal generation. The company's conservative dividend payout provides further flexibility in financial management. Thus healthy profile of the company should help ameliorate its financial behavior.

Upholding operational performance in line with agreed performance levels would remain a key rating driver. Meanwhile, any significant increase in overdue receivables, as a result of rising circular debt, may negatively impact the ratings.

About the Entity

NPL was established in 2007 as an independent power producer (IPP) for the purpose of electricity generation. It began commercial operations in June 2010. NPL is a subsidiary of Nishat Mills Limited (NML) and is listed on Pakistan Stock Exchanges. NML holds 51% stake in the company followed by Allied Bank Limited (ABL) (8.5%). Nishat group is a leading conglomerate with interests in textile, cement, energy, and financial sectors. Nishat Group has planned up to capacity of 20 MW solar power project. This is pending due to power purchaser consent with Central Power Purchasing Agency (Guarantee) Limited. Nishat Power will hold 34% stake in it.

The Board of Directors (BoD) comprises seven members. Nishat group dominates with five members including CEO. One nominee from ABL, and one independent director should benefit governance structure. The management team comprises qualified professionals possessing sufficient experience in power sector.

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