



Date

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Applicable Criteria

- PACRA\_Methodology\_IPP\_FY19 (Jun 19)
- PACRA\_Crtieria\_LT ST Relationship\_FY19 (Jun 19)
- PACRA\_Criteria\_Rating Modifiers\_FY19 (Jun 19)

Related Research

- Sector Study | Power (Jan 19)

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PACRA Maintains Entity Ratings of Nishat Power Limited

Rating Type	Entity	
	Current (27-Sep-2019)	Previous (28-Mar-2019)
Action	Maintain	Maintain
Long Term	A+	A+
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect strong business profile of Nishat Power Limited (Nishat Power) emanating from the demand risk coverage under Power Purchase Agreement signed between National Transmission & Despatch Company (NTDC) and the company. Meanwhile, the Implementation Agreement provides sovereign guarantee for cashflows, given adherence to agreed performance benchmarks. Nevertheless, delayed payments from the power purchaser remained a challenge. Despite higher receivable days the entity managed to sustain its financial strength. Nishat Power, with in-house Operations and Maintenance (O&M), has a well-experienced team and has been demonstrating satisfactory performance. Fuel supply risk is considered adequate as they procure from different suppliers with good credit terms. Although there are delays in payments from power purchaser, the company manages the impact by aligning the payments to fuel supplier with its receipts. This keeps working capital needs under check. Short term borrowing lines are available and mainly used to fund any short-fall in working capital requirements. There is cushion available in short-term lines. Nishat Power continues to meet its availability (88%) and efficiency (45%) benchmarks. Given the liquidity situation, utilization is imputed to go up. Settlement of overdue receivables is crucial. The company has an outstanding long term debt of PKR 3,040mln as at end-June19, payable till June 2020. Sound financial profile of Nishat Mills Limited; the major sponsor, provides comfort to the ratings.

Sustained good financial discipline and upholding strong operational performance in line with agreed performance levels remain important. Accumulation of circular debt would pose threat to the company’s ability to continue with this practice. However, the management ably supported by sponsors’ remains committed to sustain improvement in management of commercial obligations and timely debt repayments.

About the Entity

Nishat Power was established in 2007 as an independent power producer (IPP) for the purpose of electricity generation. It began commercial operations in June 2010. Nishat Power is a subsidiary of Nishat Mills Limited (Nishat Mills) and is listed on Pakistan Stock Exchange. Nishat Mills holds 51% stake in the company followed by Allied Bank Limited (Allied Bank) (8.5%). Nishat group is a leading conglomerate with interests in textile, cement, energy, and financial sectors.

Nishat Power's project cost comprised 20% equity and 80% debt. Long-term debt carries mark-up at the rate of 3M Kibor + 300bps, payable on quarterly basis. The outstanding principal at end-Jun19 is PKR 3,040mln and it will be repaid in five quarterly installments by June-20.

The Board of Directors (BoD) comprises seven members. Nishat group dominates with five members including CEO. Two independent directors including one nominee from Allied Bank should benefit governance structure. All the board members are seasoned professionals having interests in various sectors of the industry. The management team comprises qualified professionals possessing sufficient experience in 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.