

# **NISHAT POWER LIMITED**

## **Corporate Briefing Session**

**on Annual Audited Accounts for the Financial Year ended June 2021**

# Contents

- ❑ Company Brief
- ❑ Operational Highlights
- ❑ Financial Highlights
- ❑ Strategic/Operational Developments
- ❑ MoU/Agreements
- ❑ Challenges
- ❑ Business outlook
- ❑ Questions and Answers

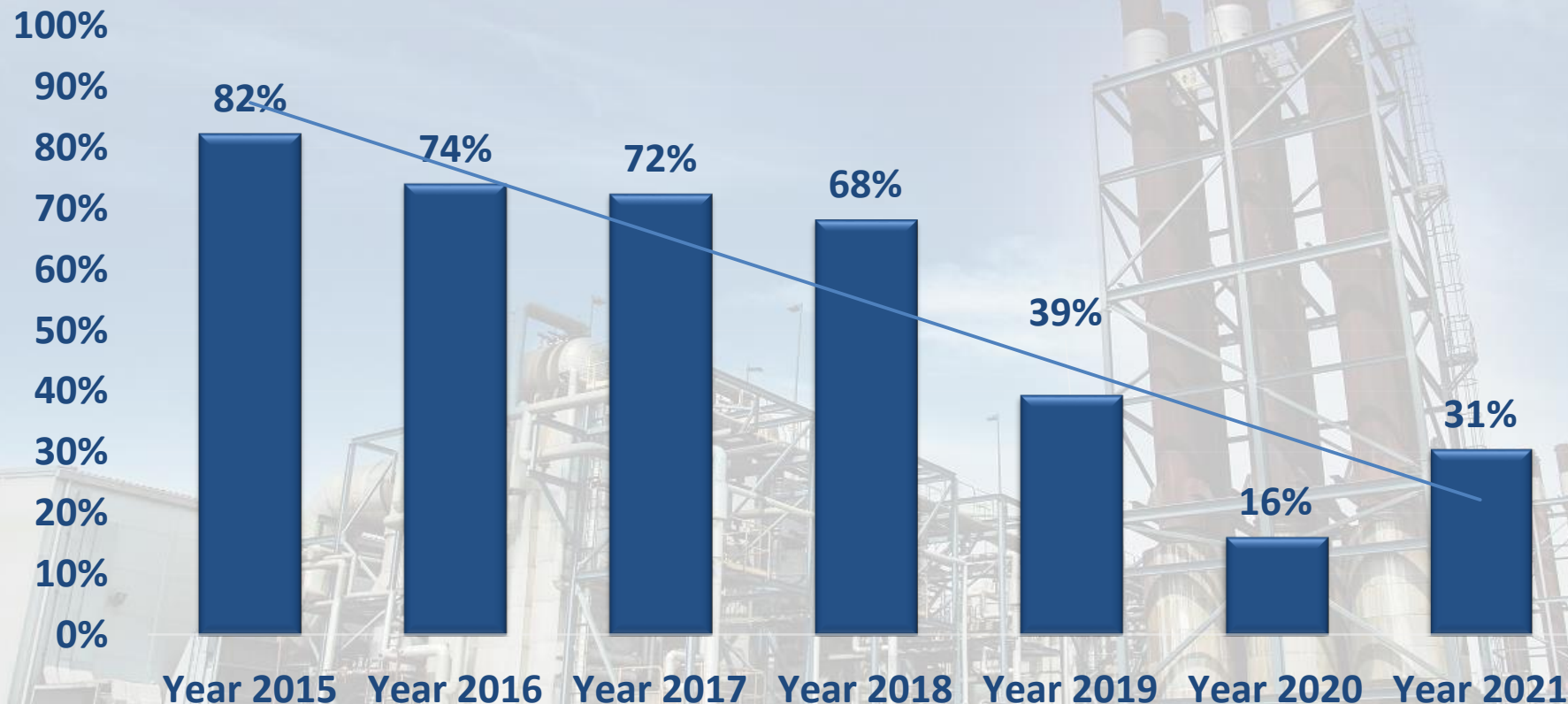
# Company Brief

- ❑ 200 MW RFO Fired – Combined Cycle Thermal Power Plant
- ❑ Term of Power Purchase Agreement – 25 years
- ❑ Located at 66KM on Multan Road, Tehsil Pattoki
- ❑ Subsidiary of Nishat Mills Limited with 51% equity ownership
- ❑ Established under the “Power Policy 2002”
- ❑ Incorporated in year 2007
- ❑ Shares listed in year 2009
- ❑ Commercial operations started in year 2010



# Operational Highlights

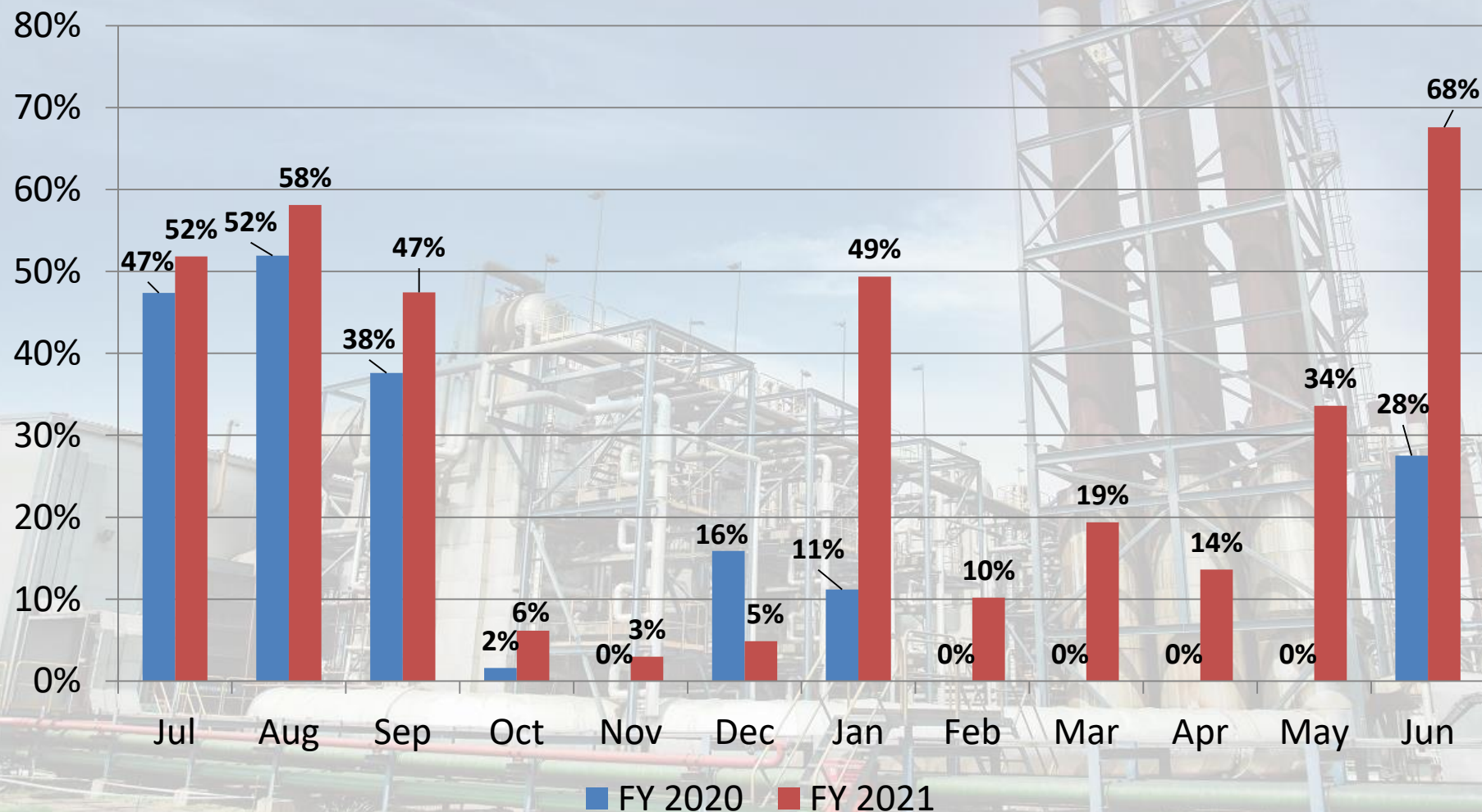
## Capacity Utilization %age



Reducing trend due to induction of energy through RLNG/COAL.

# Operational Highlights

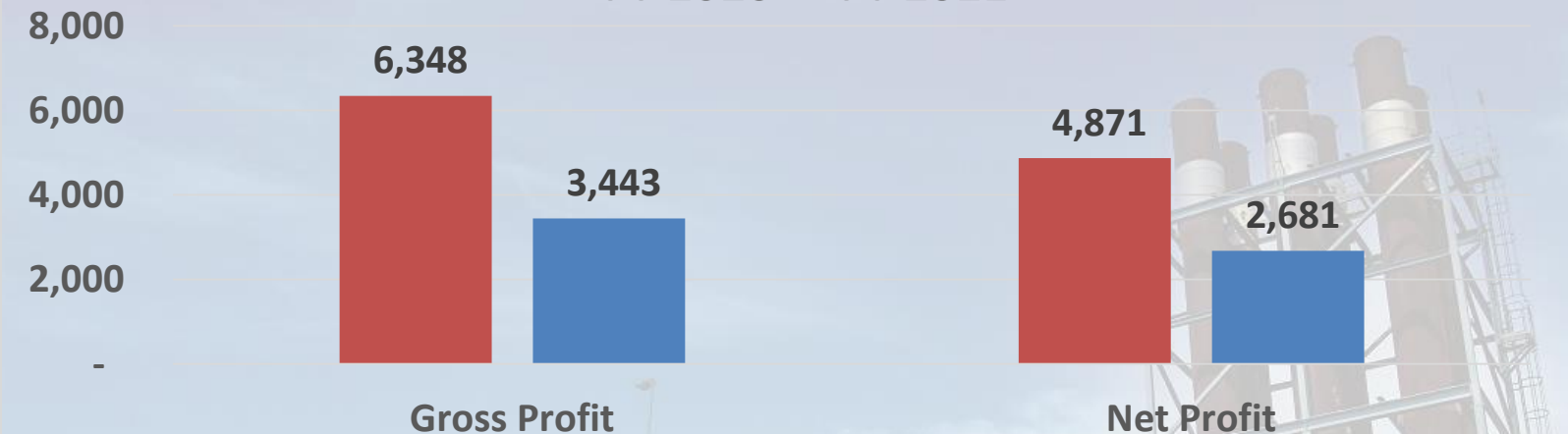
## Capacity Utilization (%age) Financial Year 2021 vs 2020



# Financial Highlights

Rs in million

■ FY 2020 ■ FY 2021



60.0

50.0

40.0

30.0

20.0

10.0

-

54.1 %

30.1 %

41.5 %

23.5 %

13.76

7.57

Gross Profit %age

Net Profit %age

Earning per Share

The main reason of decrease in profits is attributable to repayment of Long Term Financing ('LTF') to the consortium of banks in year 2020. As the LTF was repaid from the debt service component, which was part of the Capacity Purchase Price (CPP) tariff, therefore, there has been corresponding reduction in the CPP annual revenue in FY2021 (i.e. Rs. 2.6 bln)



# Strategic/Operational Developments

## **Maintenance Reserve**

The maintenance of Power Plant involves cyclical activities and costs. To cater for major maintenance costs in coming years, the management has created a capital reserve amounting to Rs.3bln

## **Lalpir Solar Power (Private) Limited - LSPPL**

The Shareholders and Board of Directors of the Company have decided for voluntary winding up of the Subsidiary LSPPL. Therefore, financial accounts of LSPPL for year 2021 have been prepared on non-going concern basis.

The reason was the LSPPL had continuously requested for Power Acquisition Request (PAR) to Central Power Purchasing Agency (CPPA). However the request delayed due to the expiry of Renewable Energy Policy and tariff mechanism. Keeping in view the decision taken by the Cabinet Committee on Energy (CCoE), CPPA has not given consent and AEDB informed that all projects will proceed, subject to becoming successful in the competitive bidding process which is still pending.

# MoU/Agreements

## MoU

At the request of the Government of Pakistan and in the larger national interest the Company voluntarily agreed to alter certain contractual arrangements for the sustainability of the power sector and an MoU was signed On August 13, 2020,

## Agreements

To convert the MoU into a binding agreement between the concerned parties, several rounds of discussion were held with Implementation Committee, and thereafter the Company and the Central Power Purchasing Agency (Guarantee) Limited (the “Power Purchaser/CPPA-G”) have signed certain agreements dated February 12, 2021.



# MoU/Agreements

## Timeline of Significant Events

Date	Description
03-Jun-20	Committee for negotiations with Independent Private Power Producers
13-Aug-20	MoU with Committee for negotiations with Independent Private Power Producers
19-Aug-20	Material Information to Pakistan Stock Exchange for execution of MOU
07-Oct-20	Implementation Committee to convert the MOU into a binding agreement
03-Feb-21	Material Information to Pakistan Stock Exchange on Initialing Master Agreement & PPA Amendment Agreement
12-Feb-21	Master Agreement, PPA Amendment Agreement and other agreements
17-Feb-21	Tariff Adjustment Application for ROE & ROEDC filed with NEPRA
03-Mar-21	NEPRA conducted hearing on Tariff Adjustment Application
19-Mar-21	CPPA-G Acknowledged Settlement Invoice against capacity dispute under PPA Amendment
02-Apr-21	NEPRA approved the Tariff Adjustment Application
June 09, 2021 to August 15, 2021	Other Force Majeure Event 68 days Period completed for settlement of Capacity dispute and invoiced to CPPA-G

# MoU/Agreements

## **AGREEMENTS PACKAGE**

- Master Agreement, Power Purchase Agreement (PPA) Amendment and Novation Package (PPA, Implementation Agreement and Guarantee Agreement)

## **SALIENT FEATURES OF PACKAGE**

- Payment of receivables (Rs 14,253 bln)
- Tariff Adjustment Application
- LCIA Award on withheld capacity (Rs.816mln) dispute
- FIFO Payment Principle
- Sharing of Fuel Saving & O&M Savings
- Delay Payment Rate reduction
- Return on Equity
- Take and Pay Basis
- Alleged Savings – Arbitration

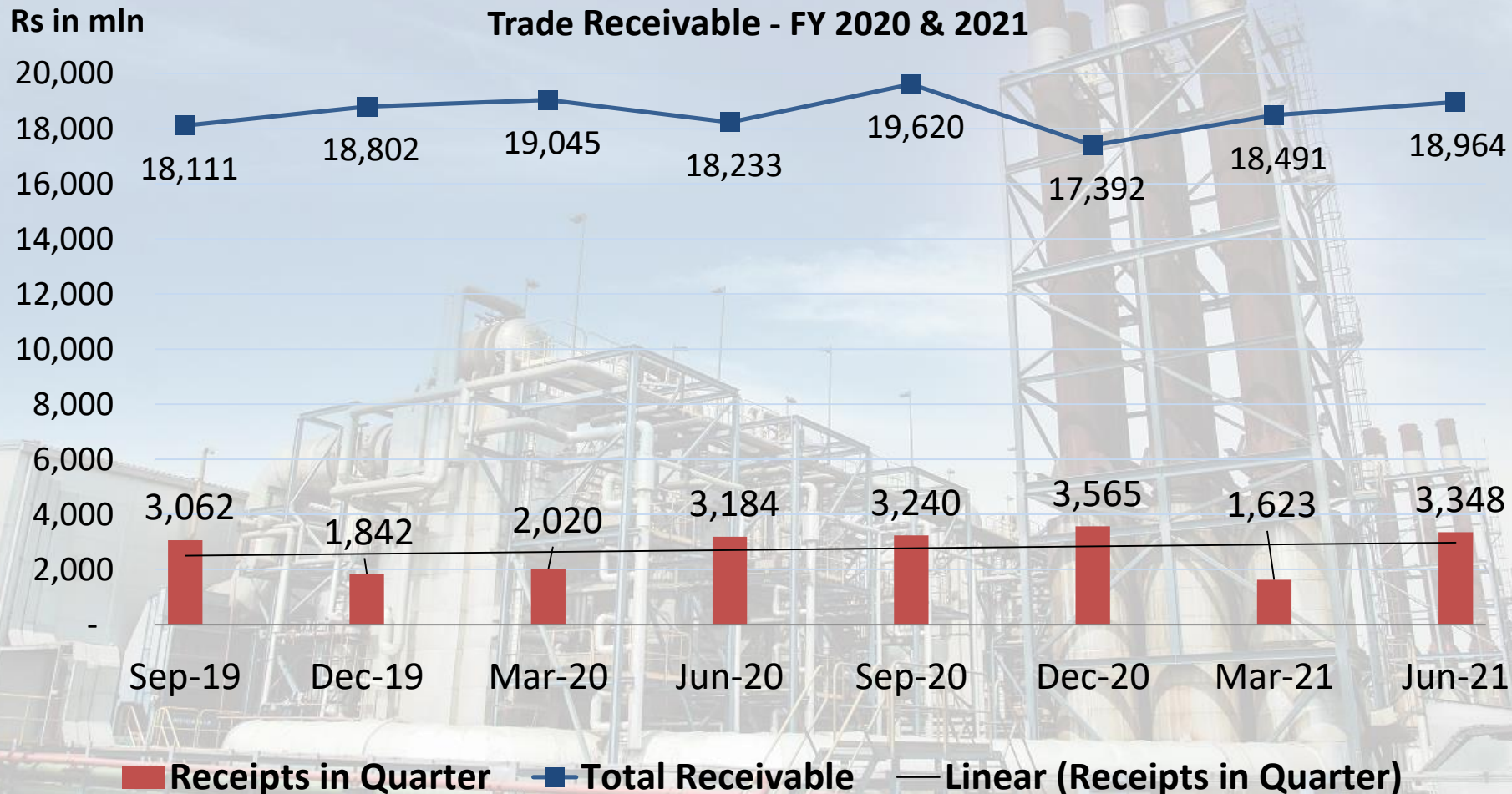
## **PAYMENT MECHANISM**

- 1<sup>st</sup> Payment - 40%
- 2<sup>nd</sup> Payment (after 6 months)- 60%
- Form of Payment
  - 1/3<sup>rd</sup> Cash
  - 1/3<sup>rd</sup> GOP Ijara Sukuk
  - 1/3<sup>rd</sup> GOP PIBs



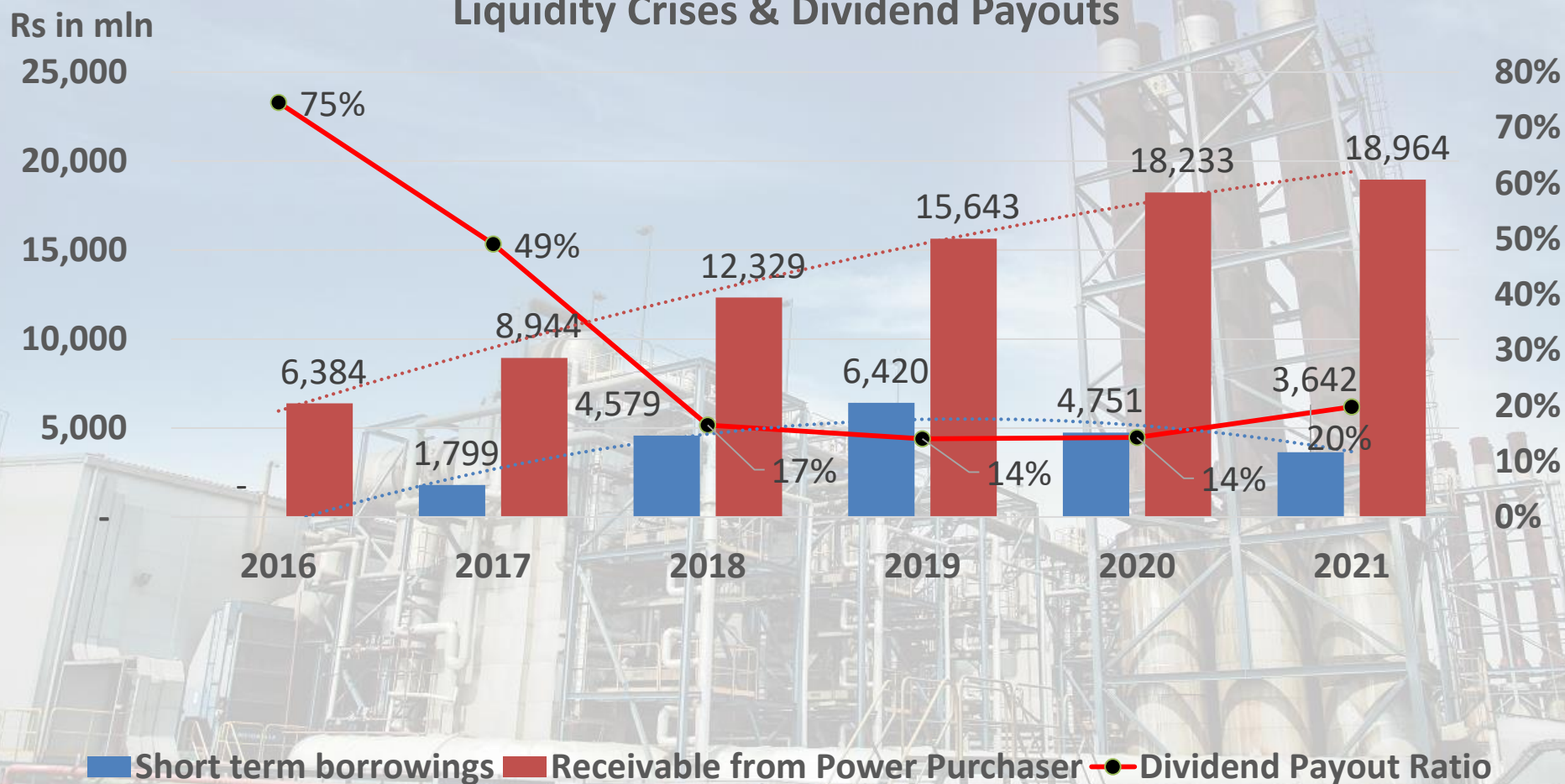
# Challenges

## Receivables and Circular Debt.



# Challenges

## Liquidity Crises & Dividend Payouts





# Challenges

## Arbitration Disputes

- ❑ Capacity Revenue receivable Rs. 816 million withheld by CPPA.

Pursuant to the PPA Amendment Agreement on 12-Feb-2021, the dispute has been amicably resolved. The disputed period has been treated as an Other Force Majeure Event ('OFME') under the PPA commenced on June 9, 2021 and will end on August 15, 2021, consequently, the term of PPA has been extended by 68 days, till August 15, 2035.

Out of the receivable of Rs 816.033 million, the company has written off Rs 141.47 million during the year. Whereas amounts aggregating Rs 328.691 million have been duly verified by the CPPA during the year and remaining amount has been verified subsequently in July and August 2021.

# Challenges

## Arbitration Disputes

- ❑ The company is entitled for certain delayed payment charges under PPA. However, CPPA-G had disallowed it, the Company got final favorable decision in July 2020 through International Arbitration Award.

Pursuant to the Master Agreement on 12-Feb-2021, CPPA-G has agreed to follow the PPA's mandated "First In First Out" ('FIFO') payment principle at the time of payments, and in consideration thereof the company has agreed to forgo and waive all of its claims as long as FIFO principle is followed. However, this will have no impact on the existing revenue and receivables of the company, as the company has not recognized the income and corresponding receivable for the said amounts on prudence basis.



# Business Outlook

- We foresee circular debt to remain a challenge for the government and the energy sector particularly in the near future unless concrete policy measures are taken to address the underlying causes.
- Due to increased power generation capacity of the country, the Company's capacity utilization factor has seen some falling trend since year 2018. However, there is some increase in generation utilization as compare to previous year due to recovery of economic activity in post Covid era. The plant kept on being utilized during the peak load summer months, due to the unique technological advantage of RFO based eleven ("11") Reciprocating Engines and one ("01") Steam Turbine, which can produce power during peak hours round the year, at a very short notice period. However utilization declined in winter months

# Questions and Answers



# Thank You

