



The Pakistan Credit Rating Agency Limited

PRESS RELEASE

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Applicable Criteria

- [Methodology | Rating Modifiers | Apr-24](#)
- [Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-24](#)
- [Methodology | Independent Power Producer Rating | Jul-24](#)

Related Research

- [Sector Study | Power | Jan-24](#)

PACRA Maintains the Entity Ratings of Nishat Power Limited

Rating Type	Entity	
	Current (20-Sep-24)	Previous (22-Sep-23)
Action	Maintain	Maintain
Long Term	AA-	AA-
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect strong business profile of Nishat Power Limited (“Nishat Power” or “the Company”) emanating from the demand risk coverage under Power Purchase Agreement signed between Central Power Purchasing Agency (CPPA-G) and the Company. Meanwhile, the Implementation Agreement provides sovereign guarantee for cashflows, given adherence to agreed performance benchmarks. Nishat Power continues to meet its availability and other performance benchmarks. 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 low as they procure from different suppliers with good credit terms. During 9MFY24, Nishat Power generated 342 GWh of electricity, a decrease of ~7% from 368 GWh in the same period of FY23. Consequently, revenue declined by ~0.4% to PKR 17,090mln from PKR 17,159mln in 9MFY23. This decrease in generation is mainly attributed to shift of electricity demand towards a captive power plants and less expensive source of generation i.e., Hydro, Solar and Wind from the power purchaser in wake of cost-effective energy basket. Despite decline in generation, margins benefitted from favorable tariff adjustments. Currently leveraging stood at 7.5% reflecting short-term borrowing only (compared to no borrowing in FY23). There is adequate cushion available to the Company to meet its working capital requirement in their approved STB limits. The ratings stemmed from the fact that the long-term debt of the Company was fully paid successfully in June-2020. Also, Company has a Power Purchase Agreement lasting till 2035. 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. Furthermore, going forward delay in receiving payments from Power purchaser remains a cause of concern.

About the Entity

Nishat Power was founded in 2007 as an independent power producer (IPP) with the aim of generating electricity. It commenced commercial operations in June 2010. Nishat Power, a subsidiary of Nishat Mills Limited, is listed on the Pakistan Stock Exchange. Nishat Mills Limited holds a 51% stake in the Company. The Nishat Group, a prominent conglomerate, has diversified interests in textiles, cement, energy, and finance. The Board of Directors (BoD) consists of seven members, with five representing the Nishat Group, including the CEO, and two independent directors, which enhances the governance structure. All board members are seasoned professionals with broad industry experience. The management team is composed of qualified experts with substantial experience in the power sector.

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