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Applicable Criteria and Related Research

-Methodology | Independent Power Producers (IPP)
-Sector Study | Independent Power Producers

PACRA Maintains Entity Ratings of PakGen Power Limited

The ratings reflect the regulated structure of Pakgen's business; whereby revenues and cashflows are guaranteed by the sovereign government given adherence to agreed operational parameters. Pakgen's plant, after closure of almost eleven months, resumed normal operations in January 2016. The company's loss of profit and cost of replacement of transformer is covered under insurance policy thus protecting the company from loss. To date, insurance claim has been submitted and majority of the amount has already been received. Meanwhile, trade receivables continues to surge on the back of delayed capacity payments from the power purchaser. The company's financial profile, though adequate, is highly dependent on the behavior of the power purchaser.

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. Meanwhile, any significant increase in overdue receivables, as a result of rising circular debt, may negatively impact the ratings.

Conversion of plant to coal and participation in planned investment by parent - Nishat Group - to set up a new 660MW coal power plant are at nascent stage. Meanwhile, related CAPEX depend on finalization of terms with the power purchaser as well as with NEPRA - the regulator. The management expects any material progress in near future is less likely as finalization of terms with the power purchaser may take time.

About the Company:

Pakgen Power Limited 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 365MW. The PPA has a remaining contractual life of 12 years under the PPA (ending in 2028). Pakgen is listed on Pakistan Stock Exchange.

The principal sponsors of the company are Nishat Group (40%) and City Schools (Private) Limited (17%). Majority of the board members are nominated by Nishat Group and are group executives. Mr. Hassan Mansha, heading the Nishat Group's interest in power sector, is the Chairman of the board. Mr. Ghazanfar Hussain Mirza, CEO of the company possesses ~ 35 years of experience in business development, business and corporate management in an engineering, technical and multinational environment. Mr. Khalid Qadeer, the Chief Financial Officer has over four decades of experience.

Ratings:

Rating Type	Entity
Action	Maintain
Long Term	AA
Short Term	A1+
Outlook	Stable
Rating Watch	-

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