

SINDH NOORIABAD POWER COMPANY (PVT.) LIMITED

Jan 27, 2015

Chairman: Saiyed Asif Mahmood; Chief Executive: Mr. Najam ul Hasnain

Analysts: Amir Shafique / Birjees Rahat

Ratings	Latest	Previous
TFC-1	A+	N/A
Outlook	Stable	N/A
Date	Dec 22, '14	-

Rating Rationale

Sindh Nooriabad Power Company (Pvt.) Limited (SNPC) is a Public Private Partnership between the Government of Sindh and Technomen Kinetics (Pvt.) Limited (TKL) for setting up a 50 MW power generation project at Nooriabad, Sindh under the provision in National Policy for Power Generation Projects, 2002 for small power projects by provinces. The project is majority owned by TKL having 51% equity stake while the remaining shares are held by the GoS. TKL is part of the Technomen group having multi-dimensional business experiences primarily in Engineering, Procurement and Construction (EPC) of power and related projects since 1993.

The project cost is estimated at Rs. 6.8b with a debt to equity ratio of 80:20. All Letters of Credit (L/Cs) for the project have been established in favor of Wartsila, Finland for the main contract and TKL for ancillary work. The L/Cs will be partially converted into funded facilities while the funding gap is to be covered through the proposed Privately Placed Term Finance Certificates (PPTFCs). The LC in favor of Wartsila, Finland amounting to Rs. 3.1b is provided by National Bank of Pakistan (NBP) and is secured through an equivalent amount of PIBs deposited by the GoS with the bank. LC from NBP will be fully converted into a funded facility upon retirement. The other LC of Rs. 1.65b is provided by Sindh Bank Limited in favor of TKL and will be converted into funded facility only to the extent of Rs. 1b upon maturity. The remaining LC amount will be settled by the company. The financial close is expected to be achieved soon. The return on equity is guaranteed at minimum 17% while financial projections provide adequate debt servicing coverage. SNPC is to maintain a minimum debt coverage ratio of 1.29x throughout the life of the project.

The EPC is a hybrid arrangement between Wartsila Pakistan (Pvt.) Limited (Wartsila) and TKL. Wartsila is a reputed supplier of power engines having significant experience in the local market. The delay risk in implementation of the project is adequately covered through performance guarantee provided by Wartsila and a separate insurance cover by a reputable insurer. The Commercial Operation Date (COD) is expected to be achieved by August, 2015. The GoS is the financial guarantor for default on payments by the power purchaser. The company has signed a Gas Supply Agreement (GSA) with Sui Southern Gas Company Limited (SSGC). The GSA guarantees the required gas supply to the project while having complete coverage for liquidated damages payable to the power purchaser. Moreover, the GSA covers capacity payments payable by SSGC to the company. The Power Purchase Agreement (PPA) with the power purchaser is in the finalization stage. The Implementation Agreement (IA) with the GoS has been signed.

The proposed PPTFCs amounting to Rs. 1.5b is to be issued during the construction period. PPTFCs will remain unsecured during the construction period; however, the company would give first pari passu charge on all present and future movable and immovable assets of the company with 25% margin subsequent to the COD. The issue will have a guarantee from the GoS for the interim period till COD. The repayments would be in equal semi-annual installments starting from 6th month after COD. The issue is to be fully subscribed by GoS most likely through Sindh Employees' Pension/ Retirement Fund. The issuer will open a collection and debt servicing reserve account with NBP. SNPC intends to issue a secured sukuk amounting to Rs. 3.95b upon COD that would replace the long-term financing from banks. Terms & conditions of the proposed sukuk are expected to remain the same.

The board comprises representatives of TKL and GoS. The company and the GoS have appointed two separate independent external auditors having a good repute. The GoS has also appointed independent engineers for the project. The project management team comprises seasoned professionals having extensive experience primarily in engineering sector.

Overview of the Company

Sindh Nooriabad Power Company (Pvt.) Limited (SNPC) was incorporated on September 04, 2012 under the Companies Ordinance 1984. The company has been established under a Public-Private Partnership scheme with the Government of Sindh (GoS) and Technomen Kinetics (Pvt.) Limited (TKL). The board has appointed M/s Anjum Asim Shahid Rahman Chartered Accountants as external auditors ^[JCR-VIS]

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