

RATING REPORT

Quaid-e-Azam Thermal Power (Private) Limited

REPORT DATE:

September 23, 2024

RATING ANALYSTS:Saeb Muhammad Jafri
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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA+	A-1+	AA	A-1
Rating Outlook/Rating Watch	Stable		Stable	
Outlook Date	September 23, 2024		August 23, 2023	
Rating Action	Upgrade		Reaffirmed	

COMPANY INFORMATION

Incorporated in 2015	External auditors: A.F. Ferguson & Co PwC
Private Limited Company	Chairman of the Board: Mr. Zaheer Ahmed Ghanghro Chief Executive Officer: Mr. Syed Wasim Ur Rehman
Key Shareholders (with stake 5% or more):	
<ul style="list-style-type: none">Government of Punjab – 99.99%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria Methodology – Industrial Corporates
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

RATING SCALE(S)

VIS Issue/Issuer Rating Scale:
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Quaid-e-Azam Thermal Power (Private) Limited

OVERVIEW OF THE INSTITUTION

Quaid-e-Azam Thermal Power (Private) Limited (QATPL) was incorporated on March 25, 2015, under the companies’ ordinance, 1984 (now companies act, 2017).

RATING RATIONALE

Company Profile

Quaid-e-Azam Thermal Power (Private) Limited (‘QATPL’ or ‘the Company’) is wholly owned by the Government of Punjab (GoPb). The Company owns and operates re-liquefied Natural Gas (RLNG) based Combined Cycle Gas Turbine (CCGT) power plant of 1,163 MW (net) generating capacity at Bhikki, District Sheikhupura, Punjab. The ratings draw comfort from the presence of a clause in the Power Purchase Agreement (PPA) whereby QATPL will continue to receive capacity payments during the period of non-supply of gas. In addition, the ‘Suspension’ clause in the PPA allows the Company to suspend its plant operations if the receivable amount from Central Power Purchase Agency (Guarantee) Limited (CPPA) at any point in time remains outstanding for 60 days or more while the Company will continue to receive capacity payments during the suspension period. This provision further adds to the strength of the financial risk profile of the company under the take or pay PPA arrangement and mitigates the circular debt risk.

Commercial Operation Date (COD) of combined cycle plant was achieved on May 20, 2018. NEPRA determined the final tariff at COD for the Company on Jan 3, 2023

The Company has an existing Operations and Maintenance (O&M) contract with its Original Equipment Manufacturer (OEM), a joint venture between Harbin Electric International Company Limited (HEI) and Habib Rafiq (Pvt) Ltd (HRL) for a period of 12 years (excluding gas turbines). The previous maintenance was carried out in FY23, and the next maintenance is expected in FY25, based on the number of operational hours specified in the agreement. The Company has entered into LTSA with General Electric International Company, Inc. (GE), for twelve years for operation and maintenance of gas turbines.

Operational Profile

Plant capacity and production	2022	2023	9MFY24
Annual Installed capacity MWh	10,336,800	10,336,800	10,336,800
Annual tested capacity	9,855,771	9,809,877	7,230,785
Actual Dispatched	6,090,924	4,697,549	2,216,959
Load Factor	62%	48%	31%

QATPL delivered 4,697.5 MWh to the national grid in FY23 (FY22: 6,090.9 MWh), with an annual load factor of 48% (FY22: 62%). The reduction in energy dispatch was primarily due to lower off-take by CPPA resulting from decreased demand during the economic slowdown in 2023, despite an improved ranking on the merit order.

Key Rating Drivers:

Power Purchase Agreement (PPA): A 30-year PPA was signed between QATPL and Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) on July22, 2016, on behalf of ex-WAPDA Distribution Companies (‘the Power Purchaser’) for the sale of its entire power generation. Obligations of CPPA are guaranteed by the Government of Pakistan (GoP) under the Implementation Agreement. The PPA covers risk associated with the event of gas non-supply. As per the event, any interruption of supply of gas from and after the Commercial Operations Date (COD) resulting in company’s inability to declare full available capacity will be treated as ‘gas non-supply event’ and the Company shall continue to receive capacity payments during the non-supply period. Also, QATPL has the right to suspend the supply of

available capacity to CPPA after notice if the receivable amount remains outstanding for 60 days or more.

Gas Supply Agreement (GSA): The Company has entered into a Gas Supply Agreement (GSA) with Sui Northern Gas Pipeline Limited (SNGPL) on 22 July 2016 for 15 years from Commercial Operations Date (COD). Under this contract, SNGPL will arrange RLNG at the plant site. RLNG fuel price shall be determined by Oil & Gas Regulatory Authority (OGRA) on a periodical basis and any change in the fuel price is a pass-through item under the PPA. Prior to expiry of the GSA, SNGPL shall enter into necessary arrangements to ensure the term is extended for a further period of 15 years for which QATPL shall have the first right of refusal for any gas available in the system. The gas supply and price risk are thus largely mitigated for the company.

Strong financial performance indicators: During FY23 and 9MFY24, net revenues declined, primarily attributable to reduced electricity offtake. Gross margins remained relatively stable at 17.02% (FY22: 17.55%), with a minor decline attributed to delays in tariff adjustments. In 9MFY24, gross margins improved to 24.90%. Profitability was further supported by interest income generated from delayed payments by the Central Power Purchasing Agency (CPPA-G). The equity base increased through profit retention, enhancing capitalization indicators over time. Debt service coverage remained at comfortable levels, supported by indexation adjustments aligned with NEPRA's final COD tariff determination. The recognized indexation impact has been incorporated into the Company's revenue, reinforcing its capacity to meet debt servicing obligations. The assigned ratings are contingent upon the ongoing maintenance of these arrangements and sustained debt servicing capabilities. Additionally, the Company's gas turbines, with higher energy efficiency, are expected to improve their position in the merit order, driven by the anticipated reduction in gas prices.

REGULATORY DISCLOSURES				Appendix I	
Name of Rated Entity	Quaid-e-Azam Thermal Power Private Limited				
Sector	Power				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	23/09/2024	AA+	A-1+	Stable	Upgrade
	23/08/2023	AA	A-1	Stable	Reaffirmed
	30/06/2022	AA	A-1	Stable	Reaffirmed
	24/05/2021	AA	A-1	Stable	Reaffirmed
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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Due Diligence Meetings Conducted		Name	Designation	Date	
	1	Mr. Salman Shahid	Dy. CFO	September 9, 2024	
2	Mr. Imran Farooq	AM Finance			