# RATING REPORT

# National Power Parks Management Company (Private) Limited (NPPMCL)

**REPORT DATE:**
January 03, 2019

**RATING ANALYSTS:**
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| RATING DETAILS | | | | |
|---|---|---|---|---|
| | **Latest Rating** | | **Previous Rating** | |
| **Rating Category** | **Long-term** | **Short-term** | **Long-term** | **Short-term** |
| **Entity** | AA+ | A-1+ | AA+ | A-1+ |
| ***Rating Outlook*** | *Stable* | | *Stable* | |
| ***Rating Date*** | *December 31, '18* | | *October 24, '17* | |

| COMPANY INFORMATION | |
|---|---|
| **Incorporated in 2015** | **External auditors:** A. F. Ferguson & Co., Chartered Accountants |
| **Private Limited Company – Public Sector** | **Chairman of the Board:** Mr. Arif Saeed<br>**Chief Executive Officer:** Mr. Dhanpat Kotak |
| **Key Shareholders (with stake 5% or more):** | |
| Government of Pakistan through<br>President of Pakistan – 99.97% | |

| APPLICABLE METHODOLOGY |
|---|
| **JCR-VIS Entity Rating Criteria** *Industrial Corporate (May 2016)*<br>http://www.jcrvis.com.pk/docs/Corporate-Methodology-201605.pdf |

# National Power Parks Management Company (Private) Limited

## OVERVIEW OF THE INSTITUTION

National Power Parks Management Company (Private) Limited (NPPMCL) was incorporated in 2015 under the companies' ordinance, 1984. NMMPCL is a wholly owned company of Government of Pakistan (GoP) through Pakistan Development Fund Limited (PDFL).

The company has established two RLNG-based Combined Cycled power plants at Balloki and Haveli Bahadur Shah, under the Power Generation Policy, 2015.

**Financial Snapshot**

**Total Equity:** end-1QFY19: Rs. 122.5b; end-FY18: Rs. 119.8b; end-FY17: Rs. 116.3b

**Assets:** end-1QFY19: Rs. 238.7b; end-FY18: Rs. 212.6b; end-FY17: Rs. 135.8b

**Profit After Tax**: 1QFY19: Rs. 2.7b; FY18: Rs. 3.4b; FY17: Rs. (168m)

## RATING RATIONALE

The assigned ratings take into account strong ownership profile of National Power Parks Management Company (Private) Limited (NPPMCL) as the company is owned and controlled by the Government of Pakistan (GOP) via Pakistan Development Fund Limited (PDFL). The principal business activity of NPPMCL is power generation, and for that purpose, the company has established two Re-liquefied Natural Gas (RLNG) based Combined Cycle Gas Turbine (CCGT) power plants under the Power Generation Policy, 2015 that offers a guaranteed equity Internal Rate of Return (IRR), cost indexation and pass-through structure. Both power plants attained Commercial Operation Date (COD) during mid-2018, and electricity generated from these plants is being sold to the Central Power Purchase Agency (Guarantee) Limited (CPPA) under a Power Purchase Agreement (PPA), and the obligations of CPPA are guaranteed by the GOP under the Implementation Agreement.

**Delayed attainment of CODs has resulted in liquidated damages, though EPC contractors have requested NPPMCL to withhold their outstanding dues:**
Simple cycle commercial operations of GT1 and GT2 of Haveli Bahadur Shah (HBS) power plant commenced on July 18, 2017, behind the target dates of April 12, 2017 for GT1 and May 12, 2017 for GT2. The power plant having gross electricity generation capacity of 1,230 MW was expected to attain combined cycle COD in January 2018. However, due to some technical issues during the construction and testing phases, the taking over certificate was issued on May 08, 2018 and HBS power plant commenced combined cycle commercial operations on May 09, 2018. It is important to note that the company completed the HBS power plant within the estimated project cost of US$ 853.8m despite a delay of 119 days, and resultantly, operating fixed assets of worth Rs. 74.9b were transferred from the capital work-in-progress during FY18. Meanwhile, due to delays by EPC contractors, the liquidated damages for GT1, GT2, and the facility amounted to US$ 196.6m. However, as per the terms of the contract, the cumulative liquidated damages have been capped at 10% of the EPC agreement price, which amounted to US$ 58.95m. While the liquated damages of US$ 58.95m have been invoiced to Power Construction Corporation of China (PCCC) and Qavi Engineers (Pvt) Limited (QEL), who formed a joint venture for the EPC contract of HBS project, NPPMCL has not recognized the same in the financial statements to comply with the conservatism principle due to potential disagreement over the invoiced amount. HBS power plant has been operating efficiently with no major hiccups subsequent to COD, and it has achieved Net Power Out (NPO) of 1,215 MW against the expected NPO of 1,207.9MW.

For Balloki power plant having gross electricity generation capacity of 1,223 MW, simple cycle commercial operations of GT1 started on August 13, 2017, followed by GT2 on August 30, 2017. The facility attained combined cycle operations on July 29, 2018, more than six months behind the expected schedule. Similarly, despite a considerable delay, the plant was completed within the estimated project cost of US$ 798.18m albeit some overruns in non-EPC related cost. During 1QFY19, the company transferred Rs. 72.9b worth of capital work-in-progress to operating fixed assets against the completion of Balloki power plant. Liquidated damages for GT1, GT2, and the facility amounted to US$ 251.8m for the Balloki project, though these have been capped at US$ 56.2m. The liquidated damages of US$ 56.2m have been invoiced to the EPC contractor HEI-HRL, a joint venture between Harbin Electric International Company Limited (HEI) and Habib Rafiq (Pvt.) Ltd (HRL). , NPPMCL has not recognized the amount as a receivable in the financial statements for the period ending September 30, 2018 owing to the same reason mentioned above Balloki power plant has also achieved higher-than-expected NPO of 1,205 MW and is operating efficiently subsequent to the COD.

In the Finance Bill 2018, the GOP announced to levy withholding tax on non-resident companies under section 152 of the Tax Ordinance 2001. This is also applicable on PCCC and HEI. However, both the EPC contractors have requested NPPMCL to withhold their outstanding bills as they are in process of seeking tax exemption from the GOP.

Trade and other payables of the NPPMCL increased to Rs. 24.9b by end-1QFY19 (FY18: Rs. 16.8b), with the completion of Balloki project during the 1QFY19. The payables to PCCC-QEL against the completion of HBS project stood at Rs. 9.4b at end-1QFY19 (FY18: Rs. 9.0b), whereas the amount receivable from PCCC-QEL against liquidated damages stood at Rs. 7.1b (invoiced but not recorded in the accounts), and thereby, the effective net amount payable to PCCC-QEL was Rs. 2.3b. Similarly, payables to HEI-HRL against the completion of Balloki project amounted to Rs. 7.8b at end-1QFY19, whereas liquidated damages receivable at the period end were Rs. 6.7b (invoiced but not recorded in the accounts). Therefore, the effective net amount payable to HEI-HRL turned out to be Rs. 1.1b.

Another term of the EPC contract requires NPPMCL to retain payments to EPC contractors at the rate of 7% of each invoice value, capped at 5% of the total contract price. Out of total money retained, 50% is payable after the facility takeover certificate is issued and remaining 50% upon the completion of punch list period. The amount of retention money stood slightly lower at Rs. 6.5b by end-1QFY19 (FY18: Rs. 6.8b). While the takeover certificates have been issued for the both facilities, the EPC contractors have not claimed either of the components of retention money due to their ongoing talks with the GOP and tax authorities. NPPMCL has the capacity to discharge its net liabilities to the EPC contracts and will disburse the payments as soon as the disputes over the amount of liquidated damages and tax matters between EPC contractors and tax authorities are resolved.

**Encashment of SBLCs by SNGPL**

Trade creditors decreased slightly to Rs. 6.5b by end-1QFY19 (FY18: Rs. 6.6b). Payables to SNGPL against the procurement of RLNG remained largely flat at Rs. 2.8b during the quarter (FY18: Rs. 2.8b), whereas payables to Attock Petroleum Limited (APL) stood higher at Rs. 416m (FY18: Nil) as NPPMCL procured diesel as a backup fuel. The company has established a policy of storing high-speed diesel as a backup fuel equivalent to 7 days of operations at 60% load factor at both power plants. Stock in trade pertaining to HSD increased to Rs. 3b by end-1QFY19 (FY18: Rs. 1.9b). As per the terms of Gas Supply Agreement (GSA), NPPMCL has been making timely payments to the SNGPL since the commencement of RLNG supply, and hasn't faced any shortage of supply. It is important to note that NPPMCL received "take or pay" invoices from the SNGPL on May 25, 2018 for the period of November 2017 to April 2018, and subsequently, enchased the Standby Letter of Credit (SBLC) for an amount of Rs. 10.4b – NPPMCL has recognized this amount as other receivables – as delay in COD and resulting non-usage of gas by either of the power plants triggered "Diversion of gas and take or pay" clause of the GSA. Resultantly, the cumulative amount of unutilized SLBCs stood at Rs. 12.4b at end-1QFY19. NPPMCL has filed a writ petition to the Honourable Lahore High Court where it was decided that both companies will resolve the issue in accordance to the GSA. While an expert for the arbitration has been appointed, NPPMCL has not recognized any provision for the same as it believes that the demand of take or pay and encashment of SBLCs is contrary to the GSA. Other receivables also included Rs. 640m due from the SNGPL in respect of an adjustment of advance payment for the establishment of a spur gas pipeline against the actual cost incurred by SNGPL. The provision against the same, however, remained unchanged at Rs. 264m at end-1QFY19.

In line with the terms of the GSA agreement, NPPMCL has opened two RLNG escrow accounts with the National Bank of Pakistan (NBP) in which an amount equivalent to one month of RLNG supply is being maintained for each power plant. NPPMCL held Rs. 11.4b in RLNG escrow accounts at end-1QFY19 (FY18: Rs. 11.6b), almost equally dividend for both projects. The interest income accrued during 1QFY19 in HBS RLNG escrow account amounted to Rs. 78.9m (FY18: Rs. 227.7m) and Rs. 79.3m (FY18: Rs. 229m) in Balloki RLNG escrow account.

**No liquidated damages claimed by CPPA**

A power purchase agreement between the Central Power Purchase Agency (Guarantee) (CPPA-G) and NPPMCL exists for the both power plants. The agreement says that in case of delay in timely completion of the projects, NPPMCL will be liable to pay liquidated damages to CPPA an amount equal to $2.50 per kWh of the contract capacity per month and until the attainment of COD. Although there were delays in the attainment of COD, NPPMCL has completed both

projects within 27 months from the date of financial close, and hence is not to pay any liquidated damages to CPPA. As per the agreement, CPPA shall clear NPPMCL's invoice within 25 days for the energy payments and within 30 days for capacity payments. However, in case of delay in payment, a mark-up equivalent to KIBOR plus 2% will be charge by NPPMCL. Moreover, the "Suspension" clause of the PPA agreement has given NPPMCL a right to suspend its plant operations if the receivable amount from CPPA at any given point in time remains due for 90 days or more, while continuing to receive capacity payments for the suspension period as well. According to the management, CPPA is clearing on average up to 70% of the company's total outstanding receivables on time.

Trade debts represent amounts receivable against test energy, simple & combined cycle invoices, and delayed payment charges and amounted to Rs. 44.2b at end-1QFY19 (FY18: Rs. 29.1b). Additionally, total amount receivable from CPPA as a pass-through items stood higher at Rs. 1.1b (FY18: Rs. 546m) largely due to a notable increase in income tax. On the contrary, amount payable to CPPA increased to Rs. 494m during 1QFY19 (FY18: Rs. 260m), which represented interest earned on the LNG escrow accounts and is adjustable against the outstanding receivables from CPPA under the section 9.11 of PPA.

**O&M and LTSA Contracts**

For the Balloki power plant, NPPMCL had signed an Operations and Maintenance (O&M) contract with the TNB Repair and Maintenance SDN.BHD (TNB REMACO), whereas for HBS power plant, the O&M contact was awarded to SEPCO-III Electric Power Corporation. Both the O&M contractors have been providing satisfactory operations, maintenance, and repair services. However, NPPMCL has the right of encashment of performance security of US$ 10m deposited by each O&M if they don't meet their performance obligation as per the agreement. Whereas, the long-term service agreement (LTSA) has been signed with the General Electric (GE). NPPMCL has paid an O&M mobilization fee of Rs. 638m for the both power plants. The fee has been recorded as a long-term prepayment and being amortized over the period of 12 years. The unamortized O&M mobilization cost stood at Rs. 623m at end-1QFY19. During 1QFY19, NPPMCL recorded total operations and maintenance costs of Rs. 1.4b (FY18: Rs. 1.3b), of which Rs. 449m were against the variable and fixed O&M fee and the remaining Rs. 856m for the LTSA contracts. The payables to SEPCO-III, TNB, and GE against their services and supply of components at end-1QFY19 amounted to Rs. 173m (FY18: Rs. 193m), Rs. 231m (FY18: Rs. 208m), and Rs. 2.9b (FY18: Rs. 3.4b) respectively.

**Sales and Profitability**

NPPMCL has delivered 10.4b units of electricity to the national grid so far since the commencement of simple and combined cycle commercial operations at both facilities. The company has generated Rs. 32.7b in net sales during 1QFY19 (FY18: Rs. 30.4b), of which Rs. 25.9b (FY18: Rs. 27.8b) were from net energy purchase price from combined cycle operations of both projects and Rs. 6.8b (FY18: Rs. 2.6b) for capacity purchase price. Cost of sales increased to Rs. 28.7b during 1QFY19 (FY18: Rs. 27.2b) on account of commencement of combined cycle operations of Balloki power plant during the period, resulting in fuel cost of Rs. 25.7b (FY18: Rs. 25.4b). The current RLNG procurement price is US$ 11.76 per MMBTU, which is set by the Oil and Gas Regulatory Authority (OGRA). The operations and maintenance costs increased to Rs. 1.4b during 1QFY19 (FY18: Rs. 1.3b), driven largely by higher LTSA contract costs. The depreciation expense also stood higher at Rs. 1.3b (FY18: Rs. 432m) while insurance expense increased to Rs. 334m (FY18: Rs. 115m). Resultantly, the company reported gross profit of Rs. 3.9b in 1QFY19 (FY18: Rs. 3.2b) with gross margin improving to 12.0% (FY18: 10.4%).

Administration expenses amounted to Rs. 46m (FY18: Rs. 207m). Other income amounted to Rs. 218m (FY18: Rs. 1.5b), largely comprising profit on term deposits receipts of Rs. 182m (FY18: Rs. 275m) while delayed payment charges from CPPA amounted to Rs. 19m (FY18: Rs. 634m). Despite lower other income, the company reported an operating profit of Rs. 4.1b (FY18: Rs. 4.4b) with both plants operational in 1QFY19. Financial charges amounted to Rs. 1.3b during 1QFY19 (FY18: Rs. 760m) as interest is being expensed out subsequent to the COD. Interest expense of Rs. 489m (FY18: Rs. 146m) was related to long-term loan received from Pakistan Development Fund Limited (PDFL) – a state owned entity – while a markup of Rs. 806m (FY18: Rs. 527m) was

on short-term borrowings. Accounting for tax expense of Rs. 37m (FY18: Rs. 248m) and impact of higher financial charges, net profit for 1QFY19 amounted to Rs. 2.7b (FY18: Rs. 3.4) with net margins of 8.4% (FY18: 11.3%).

**Liquidity & Cash Flows**

Cash flows position of the company has improved considerably as a result of commencement of combined cycle operations of Balloki early in the 1QFY19. Despite some reduction in profits, funds from operations (FFO) stood higher at Rs. 4.0b during 1QFY19 (FY18: Rs. 2.3b) mainly due to improved cash flows before working capital changes, lower outflow against the sales tax and finance cost paid during the period. With considerably higher cash flows, FFO to total debt ratio improved 0.20x on an annualized basis by end-1QFY19 (FY18: 0.04x) despite increase in short-term borrowing. Moreover, the debt service coverage ratio also stood higher at 31.5x at end-1QFY19 (FY18: 6.0x) with the improvement in FFO and no repayment of long-term debt. The current ratio stood slightly lower at 0.94x (FY18: 1.0x) mainly due to increase in payables to HEI-HRL. However, adjusting the impact of unaccounted for liquidated damages charged to HEI-HRL and PCCC-QL, the current ratio turns out to be 1.13x at end-1QFY19.

**Capitalization and Funding**

Equity base of the company augmented to Rs. 122.5b by end-1QFY19 with the retention of profits. The shareholding of GOP in NPPMCL was acquired by PDFL on August 17, 2017, however, shares have not yet been issued to PDFL as at end-1QFY19 During FY18, NPPMCL received a borrowing facility of Rs. 32.7b from PDFL for a period of two years. The markup of PDFL loan accumulated to Rs. 2.3b during 1QFY19 (FY18: Rs. 1.7b) and has been accrued at an agreed rate of 7.14%.

Short-term borrowings from commercial banks increased to Rs. 46.4b at end-1QFY19 (FY18: Rs. 32.6b) mainly due to higher working capital requirements with the commencement of combined cycle operations of Balloki power plant as well. Short-term borrowings also include a liability of Rs. 10.4b (FY18: Rs. 10.4b) against the encashment of SBLC by SNGPL. Total available working capital finance facility for HBS power plant is Rs. 21.3b and Rs. 21.4b for Balloki power plant, carrying a markup of 3-month KIBOR plus 1.50%, out of which the company has utilized Rs. 19.4b (FY18: Rs. 14.4b) for HBS and Rs. 16.6b (FY18: Rs. 7.8b) for Balloki as at end-1QFY19. Strong equity base and conservative capital structure is reflected in low gearing and debt leverage indicators, which stood at 0.65x and 0.95x at end-1QFY19 (FY18: 0.55x and 0.78x) respectively.

The Finance Division of GOP is in process of converting PDFL loan facility of Rs. 32.7b into equity of NPPMCL. The company is also in process of mobilizing long-term debt of Rs. 38b from a consortium of commercial banks to discharge its liabilities mainly for the settlement of SBLC and IDC and to cover the shortfall in LNG escrow account. Moreover, in a meeting held on November 17, 2018, the Council of Common Interests (CCI) approved the proposal of privatization of HBS and Balloki power plants. Both plants have also been cleared by the cabinet committee on privatization for 100% sale, while the management of NPPMCL has been tasked with the due diligence and sale process.

**Corporate governance**

The Board of Directors (BoD) comprises government officials and experienced professionals from the private sector. The composition of the BoD remained unchanged during the year. A number of BoD meetings were held on ad-hoc basis to discuss the agenda pertaining to strategic decisions. In line with the best corporate governance practices, NPPMCL has formed four Board level committees, including Audit Committee, HR & Remuneration Committee, Procurement Committee, and Risk Committee. The management team is spearheaded by Mr. Dhanpat Kotak, having more than 30 years of experience. The statutory audit of financial statements for FY18 was conducted by A. F. Ferguson & Co., Chartered Accountants who have been reappointed for FY19. Internal audit function was outsourced to KPMG Taseer Hadi & Co., who have completed their two years. As per internal policy, the company is now required to change the internal auditors, or may consider setting up its own internal audit department.

## National Power Parks Management Company (Private) Limited — Annexure I

### Financial Statement (*Amount in Billion)*

| BALANCE SHEET | FY17 | FY18 | 1QFY19 |
|---|---|---|---|
| Non-Current Assets | 111.6 | 152.5 | 160.0 |
| Stock In trade | - | 1.9 | 3.0 |
| Trade Debts | - | 29.1 | 44.2 |
| Advances, Prepayments & other Receivables | 1.7 | 11.9 | 12.8 |
| Tax Refunds Due From Government | 2.5 | 4.0 | 4.7 |
| Cash & Bank Balances | 20.0 | 13.2 | 14.0 |
| Total Assets | **135.8** | **212.6** | **238.7** |
| Trade and Other Payables | 11.5 | 16.8 | 25.0 |
| Retention Money | 5.0 | 6.7 | 6.5 |
| Short Term Borrowings | 1.6 | 32.6 | 46.4 |
| Long Term Finances *(Inc. current matu.)* | - | 32.8 | 32.8 |
| Other Liabilities | 1.3 | 3.9 | 5.5 |
| Total Liabilities | **19.4** | **92.8** | **116.2** |
| Core Equity | 116.3 | 119.8 | 122.5 |
| Total Equity | **116.3** | **119.8** | **122.5** |
| | | | |
| INCOME STATEMENT | FY17 | FY18 | 1QFY19 |
| Net Sales | - | 30.4 | 32.7 |
| Gross Profit | - | 3.2 | 3.9 |
| Operating Profit | (0.1) | 4.4 | 4.1 |
| Profit After Tax | (0.2) | 3.4 | 2.7 |
| FFO | (2.1) | 2.3 | 4.0 |
| | | | |
| RATIO ANALYSIS | FY17 | FY18 | 1QFY19 |
| Gross Margin (%) | - | 10.4 | 12.0 |
| Net Margin (%) | - | 11.3 | 8.4 |
| FFO to Long-Term Debt | - | 0.07 | 0.49 |
| FFO to Total Debt | - | 0.04 | 0.20 |
| Debt Servicing Coverage Ratio (x) | - | 6.0 | 31.5 |
| ROAA (%) | - | 2.0 | 4.9* |
| ROAE (%) | - | 2.9 | 9.0* |
| Gearing (x) | 0.01 | 0.55 | 0.65 |
| Debt Leverage (x) | 0.17 | 0.78 | 0.95 |
| Current Ratio | 1.24 | 1.00 | 1.13** |

**Annualized*
***Adjusted for EPC-related* LDs

## ISSUE/ISSUER RATING SCALE & DEFINITIONS Annexure II

**Medium to Long-Term**

**AAA**
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

**AA+, AA, AA-**
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

**A+, A, A-**
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

**BBB+, BBB, BBB-**
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

**BB+, BB, BB-**
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

**B+, B, B-**
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

**CCC**
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

**CC**
A high default risk

**C**
A very high default risk

**D**
Defaulted obligations

**Short-Term**

**A-1+**
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

**A-1**
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

**A-2**
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

**A-3**
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

**B**
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

**C**
Capacity for timely payment of obligations is doubtful.

**Rating Watch:** JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

**(SO) Rating:** A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

**'SD' Rating:** An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

## REGULATORY DISCLOSURES Annexure III

| | |
|---|---|
| **Name of Rated Entity** | **National Power Parks Management Company (Private) Limited (NPPMCL)** |
| **Sector** | Power |
| **Type of Relationship** | Solicited |
| **Purpose of Rating** | Entity Rating |
| **Rating History** | see table below |
| **Statement by the Rating Team** | JCR-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. |
| **Probability of Default** | JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default. |
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Rating History:

| Rating Date | Medium to Long Term | Short Term | Rating Outlook | Rating Action |
|---|---|---|---|---|
| 31/12/2018 | AA+ | A-1+ | Stable | Reaffirmed |
| 24/10/2017 | AA+ | A-1+ | Stable | Initial |