RATING REPORT

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

REPORT DATE:
January 03, 2020

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, '19*		*December 31, '18*	

COMPANY INFORMATION	
Incorporated in 2015	**External auditors:** A. F. Ferguson & Co., Chartered Accountants
Private Limited Company – Public Sector	**Chairman of the Board:** To be elected **Acting CEO:** Mr. Dhanpat Kotak
Key Shareholders (with stake 5% or more):	
Government of Pakistan through President of Pakistan – 99.97%	

APPLICABLE METHODOLOGY
VIS Entity Rating Criteria *Corporates (May 2019)* *https://www.vis.com.pk/kc-meth.aspx*

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. NPPMCL 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-FY19: Rs. 138.8b; end-FY18: Rs. 119.8b; end-FY17: Rs. 116.3b

Assets: end-FY19: Rs. 251.9b; end-FY18: Rs. 211.9b; end-FY17: Rs. 135.8b

Profit After Tax: FY19: Rs. 19b; 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) in 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 (IA).

<u>Rating Drivers</u>

Higher revenue and profits generation led by attainment of combined cycle operations at both power plants

NPPMCL owns, operates and maintains two combined-cycle gas-fired power plants, namely Haveli Bahadur Shah (HBS) power plant located in district Jhang and Balloki power plant located in district Kasur. HBS power plant having gross electricity generation capacity of 1,230 MW achieved combined cycle commercial operations on May 09, 2018, with a delay of 119 days. Thereby, as per the terms of the contract, the liquated damages of US$ 58.95m have been invoiced to joint EPC contractor – Power Construction Corporation of China (PCCC) and Qavi Engineers (Pvt) Limited (QEL). Balloki power plant having gross electricity generation capacity of 1,223 MW achieved combined cycle operations on July 29, 2018, more than six months behind the schedule. Liquidated damages of US$ 56.2m have been invoiced to the joint EPC contractor – Harbin Electric International Company Limited (HEI) and Habib Rafiq (Pvt.) Ltd (HRL).

Both power plants are fully operational and supplying electricity to the national gird. During FY19, HBS power plant was available for 7,777 hours and generated 7,127.2 GWh of electricity. Net Power Output and Net Heat Rate from HBS plant were recorded at 1,215.2 MW and 5,736.8 kJ/kWh vis-à-vis benchmark of 1,207.9 MW and 5,765 kJ/kWh, respectively. Balloki power plant was available for 6,216 hours and generated 4,915.1 GWh of electricity in almost 11 months. Net Power Output and Net Heat Rate from Balloki plant were recorded at 1,205 MW and 5,778.4 kJ/kWh vis-à-vis benchmark of 1,198.6 MW and 5,841.6 kJ/kWh, respectively.

NPPMCL reported higher revenue of Rs. 145.6b during FY19 (FY18: Rs. 30.3b), comprising net energy purchase price of Rs. 114.9b (FY18; Rs. 27.8b) from combined cycle operations and capacity payments of Rs. 30.7b (FY18: Rs. 2.5b). Cost of sales amounted to Rs. 123b during FY19 (FY18: Rs. 27.2b) on account of higher fuel cost of Rs. 109.9b (FY18: Rs. 25.4b), O&M cost of Rs. 5.7b (FY18: Rs. 1.3b) associated with scheduled maintenance and service of both power plants, depreciation charge of Rs. 5.3b (FY18: Rs. 431m), insurance expense of Rs. 1.8b (FY18: Rs. 114m) and salaries expense of Rs. 264m (FY18: Rs. 10.6m). Resultantly, gross profit of the company stood higher at Rs. 22.6b (FY18: Rs. 3.1b), while gross margin improved to 15.5% (FY18: 10.2%).

Other expense amounted to Rs. 344m (FY18: Rs. 32m) which mainly represented foreign exchange loss incurred on settlement with SEPCO-III and TNB (O&M contractors) and General Electric (Long-term Service Agreement (LTSA) contractor). Finance cost increased to Rs. 6.6b (FY18: Rs. 756m) mainly due to higher interest on loan from PDFL amounting Rs. 2.2b (FY18: 142m) and increase in markup on working capital facility due to increase in SBP discount rate and the Standby Letter of Credit (SBLC) liability to Rs. 3.2b (FY18: Rs. 476m) and Rs. 1.1b (FY18: Rs. 50m), respectively.

As per the clause 11.3(b) of part IV of schedule 1 of PPA, corporate income tax payable on generation, sale, exportation or supply of electricity is a pass-through items and claimable from CPPA. Based on minimum tax, total tax provision for FY19 amounted to Rs. 1.8b. However, the company is entitled to claim a tax credit equal to the amount of Rs. 1.46b under section 65D "Tax credit for newly established industrial undertakings". Therefore, the tax liability for the period was Rs. 462m, out of which is totally claimable from CPPA as pass-through item. Resultantly, the company reported higher net profit of Rs. 19b (FY18: Rs. 3.4b) with a net margin of 13% (FY18: 11.3%) during FY19.

Growth in assets mainly emanated from higher trade receivables while case of dispute invoices with SNGPL is now with arbitration court
Total assets of the company amounted to Rs. 251.9b at end-FY19 (FY18: Rs. 211.9b; FY17: Rs. 135.8b). Property, plant and equipment increased to Rs. 149.5b (FY18: Rs. 75.3b; FY17: Rs. 764m) with the transfer of Rs. 75.5b from capital-work-in-process to operating fixed assets against the completion of Balloki power plant. Capital-work-in-process stood lower at Rs. 182m (FY18: Rs. 64.7b; FY17: Rs. 99.2b) which mainly represented advance paid to Revenue Office for purchase of land for housing complex and security periphery road at Balloki and HBS power plants.

Long-term deposits and prepayments stood slightly lower at Rs. 12b by end-FY19 (FY18: Rs. 12.3b; FY17: Rs. 11.7b), mainly comprising escrow account deposits and prepaid O&M mobilization cost. 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-FY19 (FY18: Rs. 11.6b), almost equally dividend for both projects. NPPMCL earned Rs. 585m (FY18: Rs. 234.3m) in interest income on escrow accounts and that amount was adjusted with the trade receivables from CPPA, as per the contract terms. The O&M mobilization cost amounted to Rs. 580m at end-FY19 (FY18: Rs. 638) which represents unamortized mobilization fee of Rs. 231m (FY18: Rs. 255m) related to O&M contactor of HBS power plant (SEPCO-III) and Rs. 349m (FY18: 383m) related to O&M contactor of Balloki power plant (TNB). These amounts are being amortized over 12-year term of both the contracts. Both the O&M contractors have been providing satisfactory operations, maintenance, and repair services, and hence, no performance security deposits were encashed during the year.

Trade receivables from CPPA accumulated to Rs. 65.3b at end-FY19 (FY18: Rs. 29b) on account of higher electricity delivered to the national grid, though receivables as a percentage of revenue moderated to 45% (FY18: 96%). Trade receivables are secured by a guarantee from the GoP under the IA and are considered good. As per the power purchase 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 charged 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 takes on average 60 days to clear energy payments and a bit longer for capacity payments. Trade receivables included Rs. 19.8b which were neither overdue nor impaired and Rs. 45.5b were overdue but not impaired. Overdue receivables included Rs. 31.5b overdue up to 3 months, Rs. 8.1b overdue for 3 to 6 months, and Rs. 5.9b overdue more than 6 months.

Advances, prepayments, and other receivables stood slightly higher at Rs. 13.4b at end-FY19 (FY18: Rs. 11.5b; FY17: Rs. 1.7b), mainly comprising accrued profit on savings and term deposit receipts (TDRs) amounting Rs. 32m (FY18: Rs. 50m), advance income tax of Rs. 759m (FY18: Rs. 198m), workers' profit participation fund (WPPF) of Rs. 1.1b (FY18: Rs. 172m) which is recoverable from CPPA as a pass-through item, income tax of Rs. 462m (FY18: nil) and other receivables of Rs. 11b (FY18: Rs. 11b). Other receivables include Rs. 640m receivable from SNGPL related to adjustment of advance given for spur gas pipeline. SNGPL has informed the provisional cost incurred on the construction of spur pipeline at HBS and Balloki power plants, however, actual cost will be determined after the finalization of SNGPL accounts and may differ from the provisional values. Other receivables also included Rs. 10.4b receivables from SNGPL related to forced encashment of disputed take or pay invoices for the period of November 2017 to April 2018. The Take or Pay (ToP) Gas Supply Agreements (GSAs) for the supply of RLNG for both power plants were signed with SNGPL on October 29, 2016. Under the terms of the GSAs, NPPMCL shall take, and if not taken, pay for the unutilized gas. Moreover, if NPPMCL does not fully utilizes the ToP quantity, it may request SNGPL to divert any unutilized quality to other power plants/consumers. Till date, SNGPL has invoiced NPPMCL an amount of Rs. 12.4b (FY18: Rs. 11.6b) in respect of ToP, out of which Rs. 568m is related to revisions made in invoices for the prior period and Rs. 254m pertained to invoices received during FY19. According to SNGPL, the invoiced amount of Rs. 12.4b represented the amount payable by NPPMCL on account of ToP under GSA, net of amounts recovered by SNGPL from other consumers to whom gas was supplied. Despite disagreement over ToP invoices, SNGPL encashed SBLC of

NPPMCL for a net amount of Rs. 10.4b, which along with the amount in escrow accounts, was furnished as a security deposit equal to one-fourth of the maximum gas allocation under the GSA agreement. Although NPPMCL has settled SBLC payment with NBP on June 10, 2019, a receivable of Rs. 10.4b from SNGPL has also been recognized as the company is expecting favorable decision from the London Court of International Arbitration (LCIA) on disputed invoices case.

Stores, spares and loose tools amounted to Rs. 102m (FY18: nil) which pertained to maintenance and service related items of the plants. Stock in trade mainly pertaining to high-speed diesel (HSD) stood higher at Rs. 3b at end-FY19 (FY18: Rs. 1.9b) owing to maintenance of cushion against higher production. The company is required to maintain HSD stock as a backup fuel equivalent to 7 days of operations at 60% load factor for both power plants. Tax refund due from the government amounted to Rs. 5.7b (FY18: Rs. 4.1b; FY17: Rs. 2.5b), including sales tax of Rs. 5.3b (FY18: Rs. 3.9b) and income tax of Rs. 352m (FY18: Rs. 153m). Refund application for recovery of Rs. 2.5b sales tax related to construction period is being reviewed by the FBR. Cash and bank balance stood lower at Rs. 2.7b (FY18: Rs. 13.2b; FY18: Rs. 19.9b) on account of decrease in TDRs to Rs. 1b (FY18: Rs. 12.3b) due to settlement of SBLC with NBP, partially offset by higher savings account balance of Rs. 1.1b (FY18: Rs. 866m) and EPC contractors' sales tax account balance (currently being maintained by NPPMCL as per the order of Honorable Lahore High Court due to pending decision on sales tax rate) of Rs. 569m (FY18: nil).

Adequate capacity to discharge net liabilities to EPC contractors

Trade and other payables increased to Rs. 30.2b by end-FY19 (FY18: Rs. 16.8b; FY17: Rs. 11.5b), with the completion of Balloki power plant. Payables to PCCC-QEL against the completion of HBS project stood at Rs. 11.9b at end-FY19 (FY18: Rs. 9.0b), whereas the amount receivable from PCCC-QEL against liquidated damages stood at Rs. 9.0b (invoiced but not recorded in the accounts), and thereby, the effective net amount payable to PCCC-QEL was Rs. 2.9b. Similarly, payables to HEI-HRL against the completion of Balloki project amounted to Rs. 9.2b at end-FY19, whereas liquidated damages receivable at the period end were Rs. 8.5b (invoiced but not recorded in the accounts). Therefore, the effective net amount payable to HEI-HRL turned out to be around Rs. 0.7b. Trade creditors amounted to Rs. 7.2b (FY18: Rs. 6.6b) due to increased payables of Rs. 4.1b (FY18: Rs. 2.8b) to SGNPL for supply of RLNG, higher payables to O&M contractors for scheduled maintenance of both plants amounting Rs. 807m (FY18: Rs. 401m), while lower payables to GE International for LTSA services amounting Rs. 2.3b (FY18: Rs. 3.4b). Payables to National Engineering Service Pakistan (Private) Limited stood at Rs. 222m (FY18: Rs. 44m) on account of consultancy services received for the turnkey implementation of HBS and Balloki power plants, while amount payable for insurance premium stood at Rs. 375m (FY18: Rs. 30m). Payables to WPPF amounted to Rs. 1.1b (FY18: Rs. 172m), which is offset by the same amount of WPPF recoverable from CPPA as a pass-through item. Other payables stood at Rs. 174m (FY18: Rs. 578m) comprising, accrued expenses, withholding tax, provision for spur gas pipeline, and other liabilities.

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. 6.4b by end-FY19 (FY18: Rs. 6.8b), out of which Rs. 2.1b (FY18: Rs. 3.5b) is payable to PCCC-QEL and Rs. 4.3b (FY18: Rs. 3.3b) is payable to HEI-HRL. 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 was also applicable on PCCC and HEI, however, both have received the exemption certificates from the tax authorities. Given the cash flows position and mobilization of long-term debt, NPPMCL has adequate capacity to discharge its net liabilities to the EPC contracts.

Liquidity position underpinned by healthy cash flows generation while tenor of PDFL loan has been extended to 10 years from the disbursement date

Liquidity position of the company is supported by healthy cash flows generation. In line with higher profits, the company generated Rs. 22.5b in funds from operations (FFO) during FY19 (FY18: Rs. 2.4b) despite higher finance cost and tax payment. With higher cash flows and absence of long-term debt repayment, the company's FFO to total debt and debt service coverage ratios improved to 0.32x by end-FY19 (FY18: 0.04x) and 7.2x (FY18: 5.8x), respectively. The current ratio stood higher at 1.12x (FY18: 1.0x) as the impact of higher trade & other payables and short-term borrowings and lower cash balance was more than offset by increase in trade receivables. Adjusting the impact of unaccounted for liquidated damages charged to HEI-HRL and PCCC-QL, the current ratio turns out to be 1.41x at end-FY19.

Paid-up capital of the company stood at Rs. 53b at end-FY19 (FY18: Rs. 0.1m) with the issuance of ordinary shares to PDFL during the year. The remaining share deposit money of Rs. 63.5b is yet to be converted into ordinary shares. Total equity of the company accumulated to Rs. 138.8b (FY18: Rs. 119.8b; FY17: Rs. 116.3b) with the retention of profits. During FY18, NPPMCL received a borrowing facility of Rs. 32.7b from PDFL for a period of 24 months from the date of disbursement, carrying a markup rate of 7.14%. On October 09, 2019, PDFL extended the tenor of loan to 10 years, starting from initial disbursement date of August 31, 2018. The markup rate has been fixed at 3-month KIBOR plus 1% from the date of signing of new agreement. As per the guidelines of IAS 1, the long-term loan from PDFL was classified as short-term loan at end-FY19, however considering new agreement, we have reclassified it as long-term loan for the purpose of analysis. Accrued markup of long-term loan amounted to Rs. 5.3b at end-FY19 (FY18: Rs. 2.9b) and Rs. 908m (FY18: Rs. 325m) on short-term borrowings. The outstanding balance of short-term borrowings stood higher at Rs. 37.1b (FY18: Rs. 32.6b; FY17: Rs. 1.6b) as the impact of settlement of SBLC was offset by increased utilization of working capital finance facility. The unutilized working capital finance facility amounted to Rs. 5.7b at end-FY19. Total debt stood at Rs. 69.9b at end-FY19 (FY18: Rs. 65.4b; FY17: Rs. 1.6b). With the augmentation of equity base, gearing ratio improved slightly to 0.5x (FY18: 0.55x; FY17: 0.01x), though debt leverage increased to 0.81x (FY18: 0.77x; FY17: 0.17x) due to higher trade and other payables at end-FY19. NPPMCL has arranged project financing from the Bank of Punjab (BoP) led consortium of banks, and signed Musharaka facility agreements of Rs. 18.4b for HBS power plant and Rs. 19.6b for Balloki power plant to discharge its liabilities, mainly for the settlement of SBLC and IDC and to cover the shortfall in LNG escrow account. The facility is repayable in 38 equal quarterly installments and markup rate is 3-month KIBOR plus 0.9%.

Privatization of NPPMCL is being expedited, though post-privatization risk mitigation plan is still under consideration

During its meeting held on November 08, 2019, the Economic Coordination Committee (ECC) of the Cabinet directed the Privatization Commission (PC) to expedite the privatization of NPPMCL. On November 17, 2019, PC floated an invitation seeking expression of interest (EOI) from interested parties to acquire up to 100% of the equity stake with management control in either i) NPPMCL (in case both power plants will be acquired by the same investor) or ii) two companies each of which will own one of the power plants (in case different investors will acquire the power plants). The last date for submission of EOI has been extended till January 17, 2020, after which the shortlisting and bidding process will start. However, no official timeline is available for the completion of transaction.

Corporate governance

The Board of Directors (BoD) comprises government officials and experienced professionals from the private sector. There are currently five members on the BoD including the CEO, Mr. Amjad Latif – MD SNGPL, Mr. Shah Jahan Mirza – MD Private Power and Infrastructure Board, Mr. Aamer Mahmood Hussain – Joint Secretary Finance Division, and Mr. Zafar Abbas – Joint Secretary Power Division, whereas four seats are vacant. NPPMCL has formed four Board level committees, including Audit Committee, HR & Remuneration Committee, Procurement Committee, and Risk Committee. Mr. Dhanpat Kotak is currently the acting CEO, having more than 30 years of experience. Hiring of permanent CEO is expected to be completed within a month. A. F. Ferguson & Co., Chartered Accountants have been appointed for the statutory audit of financial statements for FY19. KPMG Taseer Hadi & Co. ceased to serve as the internal auditors during the year upon completion of their two-year tenor. Therefore, internal audit function is currently being performed by in-house internal audit department while appointment of an audit firm as internal auditors is in process.

National Power Parks Management Company (Private) Limited Annexure I

Financial Statement (*Amount in Billion)*

BALANCE SHEET	**FY17**	**FY18**	**FY19***
Operating Fixed Assets	0.8	75.3	149.5
Capital Work in Progress	99.2	64.7	0.2
Long-term Deposits and Prepayment	11.7	12.3	12.0
Stock In trade	-	1.9	3.1
Trade Debts	-	29.0	65.3
Advances, Prepayments & other Receivables	1.7	11.5	13.4
Tax Refunds Due From Government	2.5	4.1	5.7
Cash & Bank Balances	19.9	13.2	2.7
Total Assets	**135.8**	**211.9**	**251.9**
Trade and Other Payables	11.5	16.8	30.2
Retention Money	5.0	6.8	6.4
Short Term Borrowings	1.6	32.6	37.1
Long Term Finances *(Inc. current matu.)*	-	32.8	32.8
Other Liabilities	1.3	3.2	6.6
Total Liabilities	**19.4**	**92.2**	**113.1**
Tier-1 & Total	116.3	119.8	138.8
Paid-up Capital	**0.0001**	**0.0001**	**53.0**
INCOME STATEMENT	**FY17**	**FY18**	**FY19**
Net Sales	-	30.3	145.6
Gross Profit	-	3.1	22.6
Operating Profit	(0.1)	4.2	25.5
Profit Before Tax	(0.1)	3.4	19.0
Profit After Tax	(0.2)	3.4	19.0
FFO	(2.1)	2.4	22.5
RATIO ANALYSIS	**FY17**	**FY18**	**FY19**
Gross Margin (%)	-	10.2	15.5
Net Margin (%)	-	11.3	13.0
FFO to Long-Term Debt	-	0.07	0.69
FFO to Total Debt	-	0.04	0.32
Debt Servicing Coverage Ratio (x)	-	5.8	7.2
Gearing (x)	0.01	0.55	0.50
Debt Leverage (x)	0.17	0.77	0.81
Current Ratio	1.24	1.00	1.12

**Unaudited*

ISSUE/ISSUER RATING SCALE & DEFINITIONS Annexure II

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

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: 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.vis.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.vis.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.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'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.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when 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 Ratings
Rating History	

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
31/12/2019	AA+	A-1+	Stable	Maintained
31/12/2018	AA+	A-1+	Stable	Reaffirmed
24/10/2017	AA+	A-1+	Stable	Initial

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.
Probability of Default	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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