

## RATING REPORT

### Punjab Thermal Power (Private) Limited (PTPL)

**REPORT DATE:**

07 July, 2021

**RATING ANALYSTS:**

Tayyaba Ijaz  
[tayyaba.ijaz@vis.com.pk](mailto:tayyaba.ijaz@vis.com.pk)

**RATING DETAILS**

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA-	A-1	AA-	A-1
Outlook	Stable		Stable	
Rating Date	Jul 01, '21		Jun 10, '20	

**COMPANY INFORMATION**

Incorporated in 2017	<b>External Auditors:</b> Deloitte Yousuf Adil – Chartered Accountants
Private Limited Company	<b>Chairman:</b> Mr. Muhammad Ali
<b>Key Shareholders (with stake 10% or more):</b> Government of the Punjab – 100%	<b>Chief Executive Officer:</b> Mr. Akhtar Hussain Mayo

**APPLICABLE METHODOLOGY(IES)**

VIS Entity Rating Criteria Corporates (May 2019)

<https://www.vis.com.pk/kc-meth.aspx>

**Punjab Thermal Power (Pvt.) Limited (PTPL)**

**OVERVIEW OF THE INSTITUTION**

*Punjab Thermal Power (Private) Limited was incorporated as a private limited company under the Companies Act 2017 on June 08, 2017. The principal activity of the company is to build, own, operate and maintain a thermal plant having a total capacity of 1,263.2 MW.*

**Chairman’s Profile:**

*Mr. Muhammad Ali is currently serving as Chairman Board of Directors of PTPL. He did his Bachelor’s Degree in Electrical Engineering from UET, Lahore. He has over 20 years of experience and expertise in Energy & Petrochemical Sectors; holding leading roles that oversaw development, construction, operations and management of mega-size projects. He has recently taken over the energy business portfolio of the JS group of companies as CEO of JS Energy where he looks after the group’s oil and gas, power generation, and energy storage and handling businesses.*

**CEO’s Profile:**

*Mr. Akhtar Hussain Mayo is currently serving as Chief Executive Officer of Punjab Thermal Power (Private) Limited. He did his BSc in Mechanical Engineering & MS (Total Quality Management). He has more than 36 years of practical experience in the field of engineering. He has previously served as General Manager/ Head Power Plants & Mechanical Section NESPAK.*

**RATING RATIONALE**

The ratings assigned to Punjab Thermal Power (Private) Limited (PTPL) incorporate its strong ownership profile being wholly owned by a sub-sovereign, Government of Punjab (GoPb) through Energy Department. PTPL is a combined cycle power project of 1,263.2 MW (net 1,242.7 MW) on Re-gasified Liquefied Natural Gas (RLNG) as the primary fuel and High-Speed Diesel (HSD) as back-up fuel located near Haveli Bahadur Shah /Trimmu Barrage, District Jhang, Punjab, Pakistan. The project was approved by the Cabinet Committee on Energy (CCE) of the Federal Government on June 6, 2017. CCE also relaxed, to the extent of this project, the ban it had placed on new imported fuel based power projects. PTPL filed application for grant of generation license on July 26, 2017; National Electric Power Regulatory Authority (NEPRA) granted power generation license to PTPL in February, 2018.

**Financial close was achieved on April 23, 2021; Delays were witnessed in achieving financial close; construction cost was revised upwards:** The company was expected to achieve the financial close by end-July’18; the delays were mainly caused by predicaments in forming a syndicate of banks and delay in signing of concession agreements coupled with COVID-19 implications. The project was initially expected to achieve commercial operations by end-Dec’19. However, according to the management, construction activities were delayed by the EPC contactor and the project has achieved overall completion of 83% up till now. The project is contemplated to achieve COD by end-Mar’22. The company has received 99% of the equipment shipments including turbines, generators, HRSGs and various auxiliary systems etc. As per progress report for period ended-Mar’21, civil construction, installation of mechanical and electrical systems for simple cycle systems have been majorly completed while the same is in progress for combined cycle systems.

The proposed combined cycle efficiencies are 61.2% and 55.8% on RLNG and HSD respectively and Simple Cycle efficiency is 39.2% on RLNG. Meanwhile, the proposed annual plant availability of 1,263MW project is 92%. In addition, the proposed net capacity after auxiliary consumption is 1242.7 MW (Gross 1263.2 MW) on RLNG and 1081.8 MW (Gross 1105.0 MW) on HSD. On account of delays, cost increase by USD 73.03m mainly due to escalation in interest during construction (IDC), financing fees & charges, insurance and administrative expenses during construction and engineering consultancy. Breakup of project cost is tabulated below:

<b>Breakup of Project Cost</b>	<b>USD million</b>	<b>in</b>	<b>Revised Cost in USD million</b>
<b>EPC Cost</b>	<b>520.0</b>		<b>520.0</b>
<b>Additional EPC Cost:</b>		5.710	5.710
i. Combustion Monitoring System of Gas Turbines		0.500	0.500
ii. Flood Protection		2.000	2.000
iii. Auditorium		1.500	1.500
iv. BOP Spares		1.710	1.710
<b>Non EPC Cost:</b>	<b>54.938</b>		<b>81.434</b>
i. Engineering consultancy		10.678	19.086
ii. O&M mobilization		5.257	5.257
iii. Land Cost		4.437	4.437
iv. Insurance during construction		5.257	10.008
v. Security Surveillance		7.986	7.986
vi. Administrative Expenses during construction		10.995	22.333
vii. Testing & Commissioning		10.327	12.327

Custom Duties & Cess	29.326	25.475
LTSA Initial Spare Parts	10.500	10.500
Gas Pipeline Cost	36.224	36.223
<b>CAPEX</b>	<b>656.698</b>	<b>679.343</b>
<b>Financing Fees &amp; Charges</b>	<b>14.776</b>	<b>30.747</b>
<b>Interest During Construction</b>	<b>36.285</b>	<b>71.077</b>
<b>Total Project Cost</b>	<b>707.759</b>	<b>780.791</b>

**PTPL is to be constructed and operated on land with title owned in the company's name with debt to equity mix of 70:30:** The revised project cost in local currency was estimated at Rs. 112b. Equity contribution according to defined proportion amounted to Rs. 33.6b which has been fully injected by end-June, 2020 by means of advance against shares to be issued, which were subsequently converted into share capital. Debt contribution amounts to Rs. 78.4b against which first drawdown of Rs. 18b was made on April 30, 2021. The debt comprises syndicated term finance facility amounting to Rs. 67.35b and musharaka agreement of Rs. 11.05b involving leading commercial banks. As per management, monthly drawdowns would be made according to cash flow requirements. Apart from the aforementioned budget, the sponsor has also contributed advance equity towards working capital to the tune of Rs. 6.52b by end-9MFY21 against which shares would be issued later.

Given the financial close was delayed, the sponsor supported the company by providing interest free loan amounting Rs. 8.7b (FY20: Nil) by end-9MFY21 with the requirement of Loan Agreement and Sponsor Support Agreement (SSA) dated August 28, 2020 and December 17, 2020, respectively. The loan will be subordinated in accordance with the terms and conditions of the Common Terms and Accounts Agreement (CTAA) with effect from the facility effective date. In addition, short-term borrowings stood at Rs. 9.7b (FY20: Nil) at end-9MFY21. This pertained to borrowings mobilized against syndicated bridge finance facility of Rs. 10b from commercial banks for the purpose of funding milestone payments under offshore and onshore letter of credit arrangements. The facility carries markup at rate of 3M KIBOR plus 2.5% per annum and is secured by way of a guarantee and debit authority provided by sponsor, first ranking charge on hypothecated property and right of set-off over the disbursement amount. Further, the company also entered into short-term working capital finance facilities of upto Rs. 15.2b under first working capital and running musharaka agreement to meet its working capital requirement. The availability period of facilities is 12 months' commencing from the facility effective date unless extended with the prior written consent of the financiers. The facility carries markup/musharaka profit at rate of 3M KIBOR plus 2% per annum and is secured by way of charge against all present and future assets of the company in accordance with the requirements of security documents. The company is in process of certain conditions precedents; facility effective date has not been achieved yet, hence no amount has been drawn till end-9MFY21.

**Power Purchase Agreement (PPA) signed with CPPA-G for 30 years with 'take or pay' provision on June 22, 2020:** PTPL signed PPA with CPPA-G for a period of 30 years. The cabinet Committee of Energy (CCoE) approved the reduction in capacity charges of Government owned projects in Aug'20 and revised the ROE from 15% to 12% with US Dollar indexation. The cost overruns until the physical completion date of the project are to be determined at the time of COD and may be claimed under the tariff true-up. As per the agreement, CPPA-G should take delivery of and pay for all Net Delivered Energy (NED) generated by PTPL at the interconnection point. Further, the power purchaser should also pay the take or pay energy shortfall as per the pre-negotiated terms. In this regard, PTPL should not take any action, which would encumber, impair or diminish its ability to generate, sell and deliver the energy.

Further, power purchaser has exclusive right to energy and capacity. Except to the extent that electric energy is required for the operation of any part of the complex, the company cannot without the prior written approval of the CPPA-G sell or deliver electric energy produced to

anyone other than the power purchaser. Moreover, the company cannot allocate the right to or in the available capacity to any other party other than the power purchaser.

**Construction of interconnection facilities:** The power purchaser will be responsible for the design, construction, financing, completion and commissioning of the interconnection facilities (excluding the metering system). If CPPA-G has not completed and commercialized the interconnection works by the required date, the pre-set commercial operations date (COD) can be extended day-for-day until the date on which the interconnection works are completed. However, if the delay exceeds more than 15 days, the power purchaser will have to pay the company an amount equal to 50% of the fixed O&M (foreign) component, the fixed O&M (local) component and working capital component, multiplied with the contract capacity. In addition, if the delay in completing the interconnection facilities continues beyond the scheduled COD, CPPA-G will be required to pay the principal payments due under the financing documents; provided that such principal debt paid by the power purchaser is excluded in any determination or calculation of tariff at COD to be paid by the power purchaser. However, it is to be noted that interconnection facilities between the Power Plant and National Grid (220 kV Grid Station Toba Tek Singh, almost 50 km from the project site) have already been completed and energized and ready to disperse the power produced by the plant to the national grid.

**PPA Liquidated Damages (LDs) on contract capacity and declared available capacity:** As per agreement, for Gas Turbine 1 (GT1) Period, the contract capacity will be 400 MW while for GT2 Period, the contact capacity will be 800 MW and for the period commencing on COD and ending of expiry term, the contract capacity will be 1,242.7 MW at Gas and 1,081.8 MW at High Speed Diesel (HSD) after auxiliary consumption of maximum 3% in accordance with the tariff. The company will pay to CPPA-G in immediately available funds within five business days after notice to reduce the contract capacity, as liquidated damages. The aggregate reduction in contract capacity cannot exceed 10% of the contract capacity of both turbines. If the reduction in contract capacity requested by the company is greater than 0% and less than or equal to 2% of the specified contract capacity, the amount payable will be equal to \$117,000 multiplied by number of MW of the reduction in contract capacity. If the reduction in contract capacity requested by the company is greater than 2% and less than or equal to 5%, the amount payable will be equal to USD 234,000 multiplied by the number of reduced MWs in excess of 2% and if the reduction requested is greater than 5% and less than or equal to 10%, the amount payable will be equal to USD 350,000 multiplied by number of MWs of the reduction in contract capacity in excess of 5%.

Following the COD, any downward revision in declared available capacity made between twelve and four hours prior to the beginning of an operating day, PTPPL will pay the power purchaser as liquidated damages an amount equal to 10% of the difference between the declared available capacity prevailing twelve hours before the start of the operating day and the revised declared available capacity prevailing four hours before the start of the operating day multiplied by the applicable capacity price for the relevant hour of that operating day. However, no adjustment will be made to the actual declared available capacity. Similarly, any downward revised declared available capacity made less than four hours prior to the beginning of an operating day, the company will pay the power purchaser, an amount equal to twenty percent 20% of the difference between the declared available capacity prevailing four hours before the start of the operating day and the revised declared available capacity prevailing at the start of the operating day multiplied by the applicable capacity price for the relevant hour of that operating day.

However, in case of any upward revision to the declared available capacity for any hour, with a notice at least four hours prior to the start of the relevant hour, no liquidated damages will be payable. Moreover, after COD if the company fails to comply with dispatch requirements, then for any hour the company is required to pay the power purchaser as liquidated damages an amount equal to 100% of the difference between the declared available capacity prevailing

at the start of the hour and the available capacity for that hour multiplied by the applicable capacity price for such hour.

**PPA LDs on delay in commercial operations:** If the company does not initiate commercial operations by the Required Commercial Operations Date (RCOD), then for each month (prorated daily) thereafter until the COD is actually achieved, PTPL will pay CPPA-G as liquidated damages an amount equal to \$2.50 per kW of contract capacity per month; however, the company will not be liable to make the aforementioned liquidated damages payment if the delay in achieving COD has been caused solely due to the Simple Cycle Operations and has been communicated to the power purchaser in writing within 24 hours of the occurrence of any such issue. Given the company is required to achieve COD within 26 months after the financial close, as per the binding agreement, no such LDs are expected to be imposed.

**Gas supply arrangement (GSA) signed with Sui Northern Gas Pipelines Limited (SNGPL) for 15 years for gas supply of 185mmcf/d:** The company signed GSA with SNGPL on August 4, 2020, for a period of 15 years, with the first year starting from COD. Prior to the expiry of the term, the seller shall enter into necessary arrangements to ensure the term is extended for another 15 years. PTPL will have the first right to refuse any new imported gas the seller intends to include in its network and the agreement will, subject to any necessary approvals from GoP will be accordingly extended. PTPL will have the option to terminate the agreement if the Implementation Agreement or PPA is terminated; either party will not have any liability to the other party by virtue of such termination. Gas supply arrangement for 185mmcf/d has been proposed on take or pay basis. However, the PTPL is under no obligation to accept delivery of any gas, which has a value below 950btu/per Standard Cubic Foot or above 1170btu/ Standard Cubic foot.

In case monthly take-or-pay quantity is not fully utilized by the company in the complex, PTPL can request SNGPL to divert any unutilized monthly take-or-pay quantity to other power plants; SNGPL can arrange for such diversion at the cost and risk of buyer subject to available capacity in its pipelines. Any amounts received by the seller from the other power plants in consideration of supply of the diverted gas, after making deduction of any additional charges incurred by the seller in arranging the sale will be paid by the seller to the company.

**Late payment surcharge and maintenance by gas supplier:** If any bill payment is not made by the due date, a late payment surcharge entailing 1M KIBOR+ 2% per annum, compounded semi-annually, will be calculated for the actual number of days against which the amount remains unpaid. Every year maintenance will be carried out by SNGPL within 16 days for any scheduled periods required for maintenance, provided however that maintenance undertaken at one time during a year should not exceed a maximum of 7 continuous days. Each party will also be allowed an additional 72 hours of outages for any unscheduled periods required for maintenance. SNGPL and PTPL will make every effort to coordinate their respective shutdown times for the purpose of minimizing the adverse impact on the other party of maintenance and repair of such party's respective facilities. Non-delivery of gas during such mutually agreed shutdown period will not constitute a breach or failure on the part of the seller.

**Engineering, Procurement and Construction (EPC) with China Machinery Engineering Corporation (CMEC):** After international competitive bidding process, the company entered into an EPC contract with CMEC on September 29, 2017. CMEC was established in 1978 with controlling stake now owned by China National Machinery Industry Corporation. The core business of CMEC is engineering contracting, but as a large international conglomerate, it also extends into trade, investment, R&D and international services. In 2012, CMEC was listed on the Hong Kong Stock Exchange. With more than 30 years of experience in the engineering industry, CMEC has the capacity to provide one-stop, customized, complete plant solutions spanning preliminary planning, EPC, financing, and



operation and maintenance. It has expanded its business presence to 47 countries and regions in Asia, Africa, Europe and South America, forming a project contracting system with electric power energy at the core and covering transportation, telecommunications, waterworks, building materials and cement, etc.

As per the terms of the EPC contract, the company has made 15% advance payment to EPC contractor after obtaining advance payment security and bank guarantee. PTPL has also established letter of credit (LCs) equivalent to 85% of the EPC price comprising offshore LC of USD \$353m along with onshore LC of Rs. 9.3b against GoPb irrevocable guarantee and unconditional debit authority as security for the LC banks. CMEC has issued an EPC performance security at the signing of the EPC contract for an amount equal to 10% of the agreement price. Power Island equipment has been procured from Siemens.

**EPC Liquidated Damages (LDs) on Performance Standards:** If the facility upon carrying out completion tests is unable to meet the required conditions set, PTPL has the right to reject the facility by giving a notice to the EPC contractor along with reasons. The conditions include that if the net power output (NPO) at any fuel (natural gas or high speed diesel) is less than 95% of the guaranteed NPO of the facility and if the net heat rate (NHR) on either fuel exceeds 103% of the guaranteed GNHR. Hence the LDs for NPO of the facility for each 1% deviation in NPO, 3% of the agreement price will be charged. The aggregate cap for LDs for not achieving the guaranteed NPO will be limited to 15% of agreement price. Further, the LDs for NPO of gas turbines for either fuel will be calculated at 1% of the agreement price multiplied by percentage differential between guaranteed NPO and actual NPO. Moreover, for LDs of NHR of the facility on either fuel involve 5% of the agreement price charged for each 1% deviation in guaranteed NHR.

**EPC LDs on project completion:** LDs for delay in procuring the taking over certificate of gas turbine-1 (GT1) by the expiry of the time for completion GT1 will be 0.035% of the agreement price multiplied by the number of days delayed. Similarly, LDs for delay in procurement of taking over certificate of gas turbine-2 (GT2) by the expiry of the time for completion GT2 will be 0.025% of the agreement price multiplied by the number of days delayed. Further, the LDs for delay in procuring the taking over certificate of the facility by the expiry of the time for completion of the project will be 0.1% of the agreement price multiplied by the number of days delayed. However, the cap for all LDs for delay in completion of the facility is limited to 10% of the agreement price. The aggregate maximum amount for LDs for deviation from performance standards coupled with delay incompletion will be equal to 20% of the agreement price. In addition, performance security has also been obtained from the Original Equipment Manufacturer (OEM--Siemens AG), under which various delivery and TOC milestones are also guaranteed by the OEM with maximum cap of USD 20 million.

Due to delay in concession agreement, CMEC submitted various claims for extension of 25 months' period i.e. till Dec 2021 for the completion of the project. After various meetings and negotiations, CMEC indicated to complete the project within 400 days which was then reduced to 330 days, starting from the financial close date, subject to certain pre-conditions including provision of gas, power feedback, release of outstanding payments, future payment plan, and cost claims. As per the terms of EPC agreement, the claims will be subject to determination and CMEC has to provide verifiable supporting documents. EPC contractor has raised claims amounting to around USD 85m by end-Mar'21 out of which USD 40m were against the cost escalation borne by the contractor on account of delays in concession agreement and financial close and USD 12m pertained to impact of pandemic under Force Majeure Event. PTPL has rejected certain claims having no basis as per EPC agreement, meanwhile, for the remaining, CMEC has been requested to substantiate them with verifiable supporting documents. Additionally, risk of payment against probable claims has been mitigated through loan agreement and SSA as mentioned earlier in the report.

**Force Majeure Event:** In an event that is beyond the reasonable control of party including but not limited to war, change in regulations, pandemic, natural calamity, explosion etc., the contractor is obligated to provide a force majeure notice to PTPL within seven days. If, as the consequence of a force majeure event, the contractor has to incur additional cost or additional time in complying with proposals, the contractor will be entitled to payment of any such cost added to the agreement price coupled with extension of time for such delays. However, if the force majeure event exceeds 180 days, both the parties can serve each other with termination notice. However, the FME claims, if any shall be subject to determination and EPC contractor has to substantiate their claims with verifiable supporting documents. Further, the similar rights are also available to the company to issue FME to Power Purchaser and PPIB for the extension in time and cost claims along with verifiable supporting documents to substantiate its claim, if any.

**Long Term Service Agreement (LTSA):** Through international competitive bidding process, Siemens was declared as successful bidder for LTSA and the Company entered into the LTSA with Siemens in December 2017 for an amount of USD 156 million for period of 12 years. The amount shall be payable in local currency using the applicable exchange rate.

**Operations & Maintenance (O&M):** As per the terms of the EPC Agreement, the company can ask the EPC contractor to undertake simple cycle Operations and Maintenance (O&M) services; in this case CMEC will be obligated to enter into simple cycle O&M agreement. The Company had exercised the available option and appointed EPC contractor as an O&M operator for simple cycle operations only. PTPL has hired the services of Harbin Electric International Company Limited as O&M operator for Combined Cycle Operations on April 29, 2021 for the entire term of PPA.

**Approved tariff structure and one-time adjustments in tariff at COD:** NEPRA has determined and approved the tariff for PTPL for 30 years on June 7, 2018. The following tariff has been approved for Ex-GST base fuel price of US \$8.2/mmbtu-HHV for gas and Rs. 59.5/Liter on HSD:

Rs.	Combined Cycle Operation	
	RLNG	HSD
<b>Description</b>		
<b>Energy Charge (Rs./kWh):</b>		
Fuel cost component	5.6005	10.7216
Variable O&M	0.3079	0.4443
<b>Total</b>	<b>5.9084</b>	<b>11.1659</b>
<b>Capacity Charge (Rs./kW/hour):</b>		
Fixed O&M (Local)	0.0631	0.0724
Fixed O&M (Foreign)	0.1041	0.1196
Cost of working capital	0.0922	0.1059
Insurance	0.0531	0.0610
Return on Equity	0.3330	0.3825
Debt servicing (1-10 years only)	0.8112	0.9318
<b>Total 1-10 years</b>	<b>1.4565</b>	<b>1.6732</b>
<b>Total 11-30 years</b>	<b>0.6454</b>	<b>0.7414</b>
<b>Avg. Tariff 1-10 years @ 92% (Rs./kWh)</b>	<b>7.4916</b>	<b>12.9845</b>
<b>Avg. Tariff 11-30 years @ 92% (Rs./kWh)</b>	<b>6.6100</b>	<b>11.9717</b>
<b>Levelized tariff (Rs./kWh)</b>	<b>7.1846</b>	<b>12.6319</b>
<b>Levelized tariff (Cents/kWh)</b>	<b>6.5374</b>	<b>11.4940</b>

For the simple cycle operation on RLNG, the approved tariff structure is presented in table below:

Description	Rs./kWh
Fuel cost component	8.7369
Variable O&M	0.3079
Fixed O&M (Local)	0.0631
Fixed O&M (Foreign)	0.1041
Cost of working capital	0.0922
<b>Total</b>	<b>9.3042</b>

Since the foreign components of the tariff have been determined on the basis of reference exchange rate of Rs. 109.9/USD on actual payment, one-time adjustment would be made on COD in this regard, nonetheless, only for the currency fluctuation against the reference parity values. Further, one-time adjustment would be made at COD for actual administrative costs, advertisement expenses and expenses related to various tenders incurred. IDC would be re-established at the time of COD on the basis of actual KIBOR, actual premium, actual loan and actual loan drawdown. ROE component of tariff will be adjusted for variation in actual equity investment and actual equity drawdown. In addition, O&M components will be adjusted as per the signed agreement, LTSA and actual recurring administrative expenses.



**Punjab Thermal Power (Pvt.) Limited**
**Appendix I**

Financial Statements		(Amounts in PKR Millions)		
<b>BALANCE SHEET</b>	<b>30-Jun-19</b>	<b>30-Jun-20</b>	<b>30-Mar-21</b>	
Fixed Assets	74,949	81,629	82,892	
Stores and Spares	-	-	-	
Stock in Trade	-	-	-	
Trade Debts	-	-	-	
Advances & Prepayments	533	1,024	1,255	
Cash & Bank Balances	10,101	17,317	8,655	
<b>Total Assets</b>	<b>85,594</b>	<b>99,970</b>	<b>92,803</b>	
Trade and Other Payables	58,624	55,529	33,236	
Subordinated Loan from Sponsor- Unsecured	-	-	8,710	
Loan from Sponsors-Unsecured	-	5,000	-	
Short-Term Borrowings-Secured	-	-	9,699	
Long Term Debt (incl. current maturity)	-	-	-	
Markup Accrued	-	-	223	
Other Liabilities	16	52	39	
<b>Total Liabilities</b>	<b>58,640</b>	<b>60,581</b>	<b>51,907</b>	
Paid Up Capital	10	10	33,600	
Advance Against Issue of Shares	26,990	38,820	6,520	
Tier 1/Total Equity	26,955	39,389	40,897	
<b>INCOME STATEMENT</b>	<b>30-Jun-19</b>	<b>30-Jun-20</b>	<b>30-Mar-21</b>	
Revenue	-	-	-	
Gross Profit	-	-	-	
Operating (Loss)	(132)	(134)	384	
Profit/ (Loss) Before Tax	57	891	383	
Profit/ (Loss) After Tax	19	601	217	
<b>RATIO ANALYSIS</b>	<b>30-Jun-19</b>	<b>30-Jun-20</b>	<b>30-Mar-21</b>	
Gross Margin (%)	-	-	-	
FFO to Total Debt (x)	-	-	-	
FFO to Long Term Debt (x)	-	-	-	
Debt Servicing Coverage Ratio (x)	-	-	-	
Current Ratio (x)	-	-	-	
Gearing (x)	-	0.13	0.45	
Debt Leverage (x)	2.18	1.54	1.27	

## ISSUE/ISSUER RATING SCALE &amp; DEFINITIONS

## Annexure II

## VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERSMedium 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](http://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](http://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](http://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			
<b>Name of Rated Entity</b>	Punjab Thermal Power (Private) Limited				
<b>Sector</b>	Power				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	01-07-2021	AA-	A-1	Stable	Reaffirmed
10-06-2020	AA-	A-1	Stable	Initial	
<b>Statement by the Rating Team</b>	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.				
<b>Probability of Default</b>	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.				
<b>Disclaimer</b>	<p>Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile.</p> <p>Copyright 2021 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.</p>				
<b>Due Diligence Meetings Conducted</b>	<b>Name</b>	<b>Designation</b>	<b>Date</b>		
	Mr. Usman Aziz	Deputy CFO	18 <sup>th</sup> May'21		
	Mr. Dawood Ahmad	Assistant Manager Finance	18 <sup>th</sup> May'21		
	Mr. Muhammad Waseem	Accounts Assistant	18 <sup>th</sup> May'21		
	Malik Mohsin Ali	Deputy CFO	18 <sup>th</sup> Jun'21		