

## RATING REPORT

### Artistic Wind Power (Pvt.) Limited

**REPORT DATE:**

April 08, 2022

**RATING ANALYSTS:**

Arsal Ayub, CFA

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Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A	A-2	A-	A-2
Rating Date	April 08, 2022		March 16, 2021	
Rating Outlook	Stable		Stable	
Rating Action	Upgrade		Reaffirmed	

**COMPANY INFORMATION**

Incorporated in 2015	External auditors: M/s EY Ford Rhodes Chartered Accountants
Private Limited Company	Chairman of the Board: Mr. Yaqoob Ahmed
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Murtaza Ahmed
Artistic Milliners (Pvt.) Limited (AMPL) – 100%	

**APPLICABLE METHODOLOGY(IES)***Applicable Rating Criteria: Corporates (August, 2021)*<https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf>

## Artistic Wind Power (Pvt.) Limited (AWPPL)

OVERVIEW OF  
THE  
INSTITUTION

## RATING RATIONALE

*Artistic Wind Power (Pvt.) Limited (AWPPL) was incorporated as a private limited company in 2015. AWPPL is principally engaged to maintain wind power generation project of 50MW for the generation and supply of electric power. Registered office of the company is located in Karachi.*

*Financial Statements of the company for FY22 were audited by M/s EY Ford Rhodes Chartered Accountants. Auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).*

**Profile of Chairman**  
*Mr. Yaqoob Ahmed is the Chairman of AWPPL. He is also the Chairman of Artistic Milliners (Pvt.) Ltd. He has over 40 years of experience in the textile sector.*

Incorporated in 2015, Artistic Wind Power (Pvt.) Limited ('AWPPL' or 'the Project') is a 50MW wind power plant project in Jhimpir, District Thatta, Sindh. The Project has been allocated 462 acres of land by the Government of Sindh. Brief project details are stipulated in the table below:

Dimensions	Details
Plant Name Plate Capacity	50 MW
Wind Turbine	Gold Wind
Annual Generation	164.25 GWh
Model	GW 121-2.5
Net capacity factor	38%
Hub height	90m
Rotor Diameter	121m
Name plate capacity of each turbine	2.5 MW
Approved Levelized Tariff (Rs./Kwh)	5.665

The total cost of the Project, estimated at \$66.2m, has been financed through a debt to equity ratio of 80:20 where debt component will comprise an equal (50:50) mix of local and foreign lenders. The financial close for the project was achieved in November 2019, while the Project's CoD was recently achieved on February 16, 2022.

AWPPL has signed a 25-year Energy Purchase Agreement (EPA) with Central Power Purchasing Agency (CPPA). Offshore Engineering, Procurement and Construction (EPC) contract was signed with Hangzhou Huachen Electric Power Control Co., Ltd. on May 27, 2019 which primarily relates to procurement and supply of electrical and mechanical equipment outside Pakistan while onshore EPC contract was signed with HydroChina International Engineering Company Limited (HIEC) on May 27, 2019 which comprises civil works, erection, commissioning, testing etc. Moreover, HIEC is also the Operations and Maintenance (O&M) contractor for an initial warranty period of 2 years commencing from CoD.

**Key Rating Drivers****Strong sponsor profile**

Assigned ratings continue to draw comfort from strong sponsor profile. The Project is a wholly owned subsidiary of Artistic Milliners (Pvt.) Limited (AMPL). AMPL has been assigned a credit rating of AA-/A-1 from VIS Credit Rating indicating high credit quality, strong protection factors and likelihood of support from sponsors in case of need.

**Exposure to wind risk**

Power produced and in turn cash flows are susceptible to seasonality and possible variance in wind speed. Site specific Wind Resource Assessment and Energy Yield Evaluation Study has confirmed adequate wind availability historically, which is considered a source of comfort.

**Operational risk is considered manageable given long-term O&M contract in place with experienced O&M operator.**

As per initially agreed terms, the Project has signed a 2-year O&M contract with HIEC. O&M costs include expenses associated with services provided domestically, administrative expenses, corporate fees, audit fees, advisory fees etc. Post completion of the warranty period, the O&M contract shall be extended for another 11 years with HIEC. Sound track record and extensive experience of the contractor in renewable energy sector provides comfort to managing operations risk. Annual plant availability and efficiency benchmarks have been set at 95% and 38% respectively. Both O&M and EPC contractors possess extensive experience to set up and operate various wind power projects.

<b><u>Net annual plant capacity factor</u></b>	<b><u>% of prevalent tariff allowed to power producer</u></b>
Above 38% up to 40%	5%
Above 40% up to 42%	10%
Above 42% up to 44%	20%
Above 44% up to 46%	40%
Above 46% up to 48%	80%
Above 48%	100%

**Presence of long term Energy Purchase Agreement with CPPA mitigates off-take risk while insurance coverages are in place**

The Project has signed a 25-year EPA with CPPA. In case of any capacity issue with the grid due to Non Project Events (NPEs), the Project will continue to receive the revenues from CPPA under Non-Project Missed Volume (NPMV) i.e. compensation of loss of revenue. Relevant insurance coverages are in place.

**Sound projected debt coverage metrics; however, inconsistent payment cycle exhibited by CPPA may translate into some liquidity pressures**

Given that debt repayments have been accounted for in the approved Tariff, projected debt coverage profile is considered sound. However, the ongoing and recurring circular debt may translate into some liquidity pressures. Comfort is drawn from commitment by GoP for release of funds for timely debt repayment. Moreover, in order to facilitate in timely debt servicing, the Project will give a 6 month SBLC to lenders to ensure timely repayment.

**High leverage indicators due to elevated debt levels**

Equity base of the AWPPL has improved over the years on account of equity injection by the sponsors. During the period under review (FY21 and H1'FY22), sponsors injected equity to the tune of Rs. 1.5b and total debt escalated to Rs. 7.4b. Consequently, gearing was reported on the higher side at 3.87(x). Repayment tenure of long term debt shall be 13 years. Leverage indicators are expected to improve over time owing to debt repayments and internal capital generation.

## Artistic Wind Power (Pvt.) Limited (AWPPL)

## Annexure I

FINANCIAL SUMMARY		<i>(amounts in PKR millions)</i>		
<b><u>BALANCE SHEET</u></b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>1HFY22</b>
Paid Up Capital	0.1	0.1	0.1	0.1
Advance against future issuance of Shares	84.6	437.6	1,732.6	1,974.6
Total Equity	73.6	415.0	1,675.7	1,911.3
<b><u>INCOME STATEMENT</u></b>				
Net Sales	-	-	-	-
Profit/ (Loss) Before Tax	(2.1)	(11.1)	(28.2)	(6.4)
Profit/ (Loss) After Tax	(2.2)	(11.6)	(34.3)	(6.4)
<b><u>RATIO ANALYSIS</u></b>				
FFO	0.5	(8.4)	(31.2)	(6.5)
Current Ratio (x)	0.27	43.48	7.89	7.25
Gearing (x)	-	-	2.26	3.87

## ISSUE/ISSUER RATING SCALE & DEFINITION II

## Annexure

### 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](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	
Name of Rated Entity	Artistic Wind Power (Pvt.) Ltd.				
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
	08-April-2022	A	A-2	Stable	Upgrade
	16-March-2021	A-	A-2	Stable	Reaffirmed
	16-March-2020	A-	A-2	Stable	Initial
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.				
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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Due Diligence Meetings Conducted	Name		Designation		Date
	1	Mr. Rafique Khanani	CFO and Company Secretary		
	2	Mr. Irfan Bashir	General Manager		
	4	Mr. Ali Iqbal	Finance Manager		
					02-March-2022