RATING REPORT

NASDA Green Energy Limited

REPORT DATE:
February 08, 2022

RATING ANALYSTS:

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RATING DETAILS

	Latest Rating		Previous Rating	
Rating Category	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Entity	A-	A-2	A-	A-2
Rating Date	*February 08, 2022*		*December 04, 2020*	
Rating Outlook	Stable		Stable	

COMPANY INFORMATION

Incorporated in 2015	**External auditors:** M/s Grant Thornton Anjum Rahman Chartered Accountants
Public Limited Company	**Chief Executive Officer:** Mr. Shahid Rashid Soorty
Key Shareholders (with stake 5% or more):	
Shahid Rashid Soorty – 90.33% Asad Shahid Soorty- 9%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Corporates (August, 2021)
https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf

NASDA Green Energy Limited (NGEL)

OVERVIEW OF THE INSTITUTION

NASDA Green Energy Limited (NGEL) was incorporated as a private limited company in 2015 The status of NGEL was converted to a public limited company w.e.f 22 October 2020. NGEL 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 FY21 were audited by Grant Thornton Anjum Rahman Chartered Accountants. Auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).

Profile of CEO

Mr. Shahid Rashid Soorty is the CEO of the company. He is also the Managing Director of Soorty Enterprises (Pvt) Limited. He possesses over 30 years of experience in the textile sector.

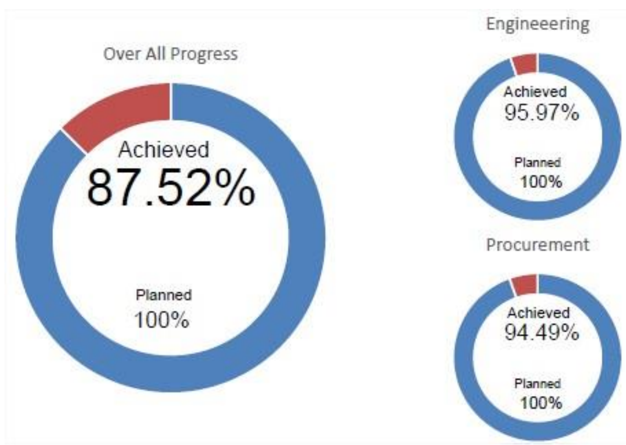
RATING RATIONALE

Incorporated in 2015, NASDA Green Energy Limited ('NGEL' or 'the Company') plans to set up a 50MW wind power plant in Jhimpir, District Thatta, Sindh. The Company is currently in construction phase and has not commenced its operations.

Project Update

Dimensions	Details
Plant Name Plate Capacity	50 MW
Wind Turbine	Gamesa/ G114 2.0 MW
Annual Generation	168.67 GWh
Net capacity factor	38.51%
Rotor Diameter	114m
Name plate capacity of each turbine	2,000 KW
Approved Levelized Tariff (Rs./Kwh)	5.66
Wake Losses	12.6%
Net Capacity	47.9 MW

- The Commercial Operations Date (COD) is expected in early-Q2'2022 (initial date was December'21). So far, there has been delay mainly due to pandemic related issues in import of machinery and equipment. The project was commenced in July'20 and progress update as at Jan'2022 is presented below:



- The project comprises construction of 25 towers. Off the 25, 19 towers has been erected recently, while the remaining 6 have been delivered to site.

- The total cost of the project has been estimated at $63.9m being financed in debt-to-equity ratio of 80:20, wherein debt component will comprise an approximately equal (51:49) mix of local and foreign lenders.

- Around 85% of the cost of the project had been incurred as at November'21, having been financed in line with pre-defined debt equity mix of 80:20.

Key Rating Drivers

Given a long-term O&M contract in place with an experienced O&M operator, operational risk is considered manageable

The Company has signed a 2-year O&M contract with HydroChina International Engineering Company Limited (HIEC), as per the initial agreements. Expenses related to electricity generation, as well as staff remuneration, administrative expenses, corporate fees, audit fees, advisory fees, and so on, are all included in O&M costs. HIEC's solid track record and considerable experience in the renewable energy has been incorporated in the assigned rating. The following is the agreed threshold for annual plant availability during the warranty period:

Measurement Period	Availability
Availability Guarantee - Start-up Season	95%
Availability Guarantee - 1st Year (rest months)	97%
Average availability of 1st year	96.5%
Availability Guarantee - 2nd Year	97%

The presence of a long-term Energy Purchase Agreement with CPPA reduces demand risk. Insurance coverage has been obtained for the construction phase as well as the first year of operations.

CPPA has inked a 25-year EPA with the Company. The Company's sales revenue is dependent on the amount of energy purchased by the GoP. The lower rate offered by NGEL gives a competitive advantage in the merit order position, reducing the demand risk. Lower tariffs compared to older wind power producers are due to lower Engineering Procurement and Construction (EPC) costs, as well as improved efficiency of modern facilities with lower operating and maintenance expenses. There is insurance coverage in place for the construction period and the first year of operations.

In-built performance bonds help to decrease project completion risk. Meeting of Commercial Operations Date (COD) is an important rating driver

If an onshore or offshore contractor fails to meet the project timeframe set in the contract owing to its own fault, the contractor must compensate NGEPL for the time lost. The EPC contractor will pay damages of USD 30,500/- per day of delay (during the construction period as well as the equipment supply contract), supported by performance bonds of up to 15% of the EPC Contract Price. The O&M contractors have also provided NGEPL with performance guarantees equal to the whole amount of the O&M contract. Plant availability and efficiency targets have been set at 97% and 38.5%, respectively, for the coming year. Both O&M and EPC companies have a lot of expertise setting up and running different wind generating projects.

Due to delay in COD date as mentioned above, no or immaterial cost overrun is expected as per the management while the Interest During Construction (IDC) will also not increase as the disbursements from lenders were late. The commencement on the expected COD date is important to achieve. VIS will continue to monitor the progress on an ongoing basis.

Net annual plant capacity factor	% of prevalent tariff allowed to power producer
Above 38.51% up to 40.51%	5%
Above 40.51% up to 42.51%	10%
Above 42.51% up to 44.51%	20%
Above 44.51% up to 46.51%	40%
Above 46.51% up to 48.51%	80%
Above 48.51%	100%

Strong predicted debt coverage metrics; however, CPPA's erratic payment cycle may result in liquidity challenges.

The projected debt coverage profile is considered sound because debt repayments have been factored into the approved Tariff. However, circular debt related delays in CPPA payments may result in financial constraints. The Company has established a Debt Payment Account (DPA) to facilitate timely debt servicing by allocating a percentage of monthly earnings to quarterly debt payment. The Company has also established a Debt Service Reserve Account (DSRA) under the DPA, where the sponsors have paid SBLC equivalent to two quarterly instalments to assure debt repayment.

In accordance with the project funding mix, the assigned rating includes elevated leverage indicators. Due to debt repayments and internal capital generation, leverage metrics are projected to improve over time.

The Company's equity base is likely to improve over the following year as a result of the sponsors' equity injection. In addition, because of the large estimated debt drawdown for project construction and completion, projected leverage indicators will be elevated, in accordance with debt: equity mix of 80:20. The Company will take advantage of SBP's low-interest loans for renewable energy producers, while the foreign currency portion will be handled by ICD (Islamic Corporation for the Development of the Private Sector). Long-term foreign and domestic debt repayment periods will be 13 and 10 years, respectively.

NASDA Green Energy (Pvt.) Limited (NGEPL) Annexure I

FINANCIAL SUMMARY *(amounts in PKR millions)*				
BALANCE SHEET	**FY19**	**FY20**	**FY21**	**4MFY22**
Paid Up Capital	0.5	0.5	0.5	0.5
Long Term Loan Secured	-	-	1,135	1,873
Total Equity (including loan from director)	33.7	612.4	1,298.9	1,558.2
INCOME STATEMENT				
Net Sales	-	-	-	-
Profit/ (Loss) Before Tax	(14.1)	(6.1)	(9.3)	(0.7)
Profit/ (Loss) After Tax	(14.1)	(6.5)	(9.4)	(0.7)
RATIO ANALYSIS				
FFO	(11.9)	(3.1)	(5.4)	(1.3)
Current Ratio (x)	0.03	4.18	0.15	0.81
Gearing (x)	-	-	0.87	1.20

ISSUE/ISSUER RATING SCALE & DEFINITION 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	NASDA Green Energy (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-Feb-22	A-	A-2	Stable	Reaffirmed
	04-Dec-20	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. Syed Ali Rizwan	Project Head	27-Dec-2021	
	2	Mr. Waqas Ahmed, ACA	Head of Finance	27-Dec-2021	