RATING REPORT

Zhenfa Pakistan New Energy Company Limited (ZPNECL)

REPORT DATE:
03 Dec, 2021

RATING ANALYSTS:

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RATING DETAILS		
Rating Category	**Initial Rating**	
	Long-term	**Short-term**
Entity	A-	A-2
Rating Outlook	Stable	
Rating Date	3rd Nov'2021	

COMPANY INFORMATION	
Incorporated in 2014	**Chairman:** Mr. Frahim Ali Khan
Public Limited Company	**Chief Executive Officer:** Mr. Maqsood A. Basraa
Key Shareholders (with stake 10% or more):	
Atlas Power Limited – 60%	
Shirazi Investments (Private) Limited – 20%	
Zhenfa Energy Group Co. Limited – 20%	

APPLICABLE METHODOLOGY(IES)
VIS Entity Rating Criteria *Corporates (August 2021)* https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf

Zhenfa Pakistan New Energy Company Limited (ZPNECL)

OVERVIEW OF THE INSTITUTION

Zhenfa Pakistan New Energy Company Limited (ZPNECL) was incorporated in Pakistan on September 04, 2014 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) with the object to construct, operate and own a 100MW solar power plant for generation and supply of electricity.

Chairman's Profile: *Mr. Frahim Ali Khan* has *over 50 years of experience in General Management, Finance, Investment and Taxation. He joined the Atlas Group in 1967 and has served in different positions. Currently his directorships include Atlas Battery Limited, Atlas Insurance Limited, Atlas Asset Management Limited, Atlas Engineering (Private) Limited, Atlas Power Limited, Atlas Energy Limited, Atlas Autos (Private) Limited, Atlas Metal (Private) Limited, Shirazi Trading Company (Private) Limited and Atlas Foundation. Mr. Frahim Ali Khan is a Law graduate from Karachi University.*

CEO's Profile: *Mr. Maqsood A. Basraa has been the Chief Executive Officer of ZPNECL since October 2019 while Group Director Business Development (GDBD) Power and Member Group Executive Committee (GEC) since April 2017. He is with the Atlas Group since 1989. Prior to this position he has been working as GM and group director in different companies of the group in different area of business such as finance, commercial & logistics, HR& Administration, IR Business corporate affairs, CEO of Atlas Power for 11*

RATING RATIONALE

The ratings assigned to Zhenfa Pakistan New Energy Company Limited (ZPNECL) incorporate the company being a part of 'Atlas Group' which is one the biggest and renowned conglomerates in the country with business interests in automobiles, batteries, insurance, asset management, trading and energy. The ratings take into account the company's low business risk profile underpinned by inking of energy purchase agreement (EPA) with the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) with the inbuilt 'take or pay' provision for a period of 25 years. Further, given the energy generation of the company is dependent on a renewable source, solar, with the same being one of the cheapest sources of energy, the project is expected to stay high in the merit list. The financial close was achieved in February'2021 meanwhile the plant is expected to begin commercial operations by 31st March '22.

The company was granted power generation license by National Electric Power Regulatory Authority (NEPRA) on July 10th, 2017. The project will be financed through debt to equity mix of 80:20, where debt matrix comprises three-fifths of foreign funding while the remaining will be contributed by country' leading commercial bank. The Construction Contract (CC) has been signed with Hydrochina International Engineering Company Limited (HIECL) as onshore construction contractor while Hangzhou Huachen Electrical Power Control Co. Limited (HHEPCL) is the offshore supplier. HIECL is a subsidiary of 'PowerChina', one of the biggest construction groups in the power sector with engagement in over 100 countries. HIECL is also the O&M contractor for the initial two years of warranty period. In case of delay in achieving the COD, the EPC contractors will be liable to pay a certain amount of liquidated damages (LDs). Moreover, HIECL as the O&M operator, is also obligated to pay LDs if the plant is unable to maintain benchmark availability. The company has adequate insurance coverages for cargo, operations, erection, liability, third party and terrorism. The ratings remain dependent upon timely completion of the project as per terms of agreement with the power purchaser within stipulated timeframe. Moreover, upholding operational performance in line with agreed performance levels would remain a key rating driver.

ZPNECL was incorporated in Pakistan on September 04, 2014 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) with the object to construct, operate and own a 100MW solar power plant for generation and supply of electricity. The registered office of the company is situated at Khayaban-e-lqbal DHA Phase 3, Lahore, Punjab. Currently all the payments are solely made for development of the project and the company is bound to comply with the rules, regulations and directions of NEPRA. Production facility is being constructed at Rakh Chaubara, district Layyah, Punjab, Pakistan. At end-FY20, majority shareholding was vested with Atlas Power Limited (holding company) with 60% shares; meanwhile, ultimate parent is Shirazi Investments (Private) Limited. The salient features of the project are presented in the table below:

Construction Start Date/ Project Start Date	18th Feb'2021
Concession Period	25 Years
Construction Period	10 Months
Construction End Date *(expected at initial stage)*	17th Dec'2021
Operational Start Date *(expected at initial stage)*	18th Dec'2021
Plant End date	17th Dec'2046
Tariff Period	25 Years
Plant Size	100MWp
Capacity Utilization Factor	21.51%
Degradation Factor	0.5%

years. He is also CEO of Atlas Energy, another group compnay which is developing renewable power sale business. Before joining to this group he served State Bank of Pakistan for ten years. He is the Fellow Member of Institute of Cost & Management Accountants of Pakistan.

Debt to Equity Ratio	80:20
Insurance during Operation	0.4%
Loan Repayment Period	14 Years
Grace Period	Nil

Completion risk largely mitigated; the financial close was achieved in Feburary'2021

The solar power plant is to be constructed and operated on land leased by the government for 25 years with debt-to-equity proportion of 80:20. The electric power generation facility comprises arrays of solar photo-voltaic modules located at the site and the interconnection facilities, having a nominal rated capacity of approximately 100 MW. The financial close of the project was achieved on 18th Feb'21. Moreover, as per the management, given 40% of the construction is complete, the project will achieve COD by end-Mar' 22. The plant is based on 100% tracking system (single axis tracking). The modules are of 435 Wp with advanced technology of half-cut having more shade tolerance and conversion efficiency at standard test conditions. The Si-Mono (monocrystalline silicone) modules are amongst the most efficient modules. The inverters are central type with 3125 kW from Sungrow, one of the leading manufacturers of central inverters globally. Further, the module manufacturer has provided 25 years linear performance warranty and 10 years limited product warranty for the modules. As a result of the advanced solar panel technology, with the configuration of full single axis tracking, the capacity factor of the project is higher than other solar power plants commissioned in the country at 21.51%.

Spread on the foreign finance is recorded at i.e., 3-M-LIBOR plus 4.25%. The local lender of the project is the country's leading commercial bank. The return on equity during construction has been allowed at 14.0%; however, the same can be adjusted at COD on the basis of actual equity injections during the project construction period of 10 months from financial close. The savings in the approved spreads shall be shared between the power purchaser and power producer in the ratio of 60:40. The current drawdown under foreign and local debt has been USD $24.3m and USD $15.7m respectively; the next drawdown is expected in Dec'21. Repayment of the company debt (local & foreign) amounting to USD $1.1m in aggregate has been extended by one quarter in line with delay in COD; the same is now payable at end-June'22 as opposed to initially planned for end-Mar'22. As per the management, the same will be partially payable from revenue generation of one quarter as COD is expected by end-Mar'22 coupled with working capital facility procured worth Rs. 890m. The salient features of the project as per the company's financial model are tabulated below:

Breakup of Project Cost	**USD (in m)**
Total Project Cost	**58.28**
EPC Cost:	53.55
Project Development Cost	1.70
Insurance During Construction	0.21
Interest During Construction (IDC)	1.67
Financial Charges	1.15
Funding Structure:	
Foreign Debt	28.0
Local Debt	18.43
Equity	11.85
Total Funding	58.28
Minimum DSCR	1.32x
Maximum DSCR	1.41x
Average DSCR	1.33x
Allowed Equity IRR	14%
Foreign Loan Spread	3M-LIBOR+4.25%
Local Loan Spread	3M-KIBOR+1.75%

Construction Contract (CC) with HydroChina International Engineering Company Limited (HIECL): After international competitive bidding process, ZPNECL (employer) entered into an CC contract with HIECL (Contactor) on 21st January, 2021 amounting to Rs. USD $10m. HIECL is incorporated under the laws of People's Republic of China, with its principal office located in Chaoyang District, Beijing and a registered office in Karachi, Pakistan. HIECL provides energy services through designing, consultations, supervising, developing and operating new energy generation projects. The main projects undertaken by company include the following:

- Phouc HUU, 65MW photovoltaic (PV) project, Veitnam
- Da Mi, 48MW PV, Veitnam
- Southeast Asia's largest PV project- Dau Tieng, 468MW PV, Vietnam
- Datang Ushashan Power Generation Company Project of 39MW PV, China
- Mountain Photovoltaics - Qinghai Ulan Phase II 20MW grid-side PV power generation project, China
- Floating Photovoltaics - 20MW Floating PV Demonstration Project, Jiande City, Zhejiang Province, China
- The first phase of the 45MW construction project of the PV plant in Lujiang District, Zhangzhou City, Zhejiang Province, China

In addition, the Offshore Supply Execution Contract (OSEC) for provision of equipment was signed with Hangzhou Huachen Electric Power Control Company Limited (HHEPCL) on 21st January, 2021 amounting to USD $43m. The Offshore Supplier (OS) is responsible for the adequacy, stability and safety of all the supply obligations. In terms of performance guarantees (PGs) and liquidated damages (LDs) resulting from issues pertaining to equipment malfunctioning will be met by HHEPCL while the remaining from construction and installation issues will be met by HIECL. As per the management, 30% of the equipment has reached the construction site while the remaining is currently at sea expected to reach during Dec'21.

Performance Bonds are obtained by both contractors, HIECL and HHEPCL, in favor of ZPNECL; the specifications of the bonds are similar for both onshore and offshore contractor: The contractors have obtained performance bonds in favor of ZPNECL for proper performance of their obligations equal to 15% of the contract/supplier price; the same will be automatically adjusted to an amount equal to 10% of the contract/ supplier price to become warranty bond upon the issuance of the taking-over certificate/ final delivery confirmation. The bonds are encashable and payable on ZPNECL's first written demand without any prior notice. The bonds can be adjusted either upwards or downwards in the event that the contract/supplier price is required to be changed by the addition or deduction of USD $1m or more, to ensure that the value of the performance bond remains equivalent to 15% of the revised contract/supply price. The contractors, at their own cost (including the cost of labor, replacement parts etc.), will be solely responsible for the remedying of all defects appearing or any damage due to such defect occurring during the warranty period.

ZPNECL is entitled under the contract to make a claim against the performance bond in the event of but not limited to:

(i) failure of contractors to keep the performance bond valid
(ii) failure of the contractors to pay the ZPNECL delay liquidated damages and/or performance liquidated damages within 28 days after the date of the delivery of the relevant invoice
(iii) in case the credit rating of the performance bond issuing bank falls below the minimum credit rating and the contractors are unable to provide a substitute bond
(iv) material breach by the contractors of any duty, responsibility or obligation under the contract

(v) circumstances which entitle ZPNECL to termination irrespective of whether notice of termination has been given
(vi) any warranty claims that ZPNECL has up to the date of issuance of the warranty period release certificate
(vii) failure of contractors to increase the value of the bonds in accordance in which event the company may claim the full amount of the bond
(viii) any other event, circumstance or provision stated under CC/OSEC which entitles ZPNECL to make a demand under the performance bond

Advance Payment of 21% has been paid to both Contractors in April' 2021: As per the terms of the CC/ OSEC contracts, the company has made 21% advance payment of the contract/supply price to the contractors. Moreover, the advance payment guarantees and the performance bonds have been provided by the contractors and are in full force and effect. Subsequently, ZPNECL has provided to the contractors access to, and possession of, all parts of the construction site. HIECL has to complete the whole of the construction works within the time for completion including achieving the passing of the tests on completion along with achieving the COD as per terms of CC. On the other hand, HHEPCL has to ensure timely equipment provision so that HIECL can complete construction in requisite timeframe. After COD, the contractors will continue to perform all of their obligations to proceed for issuance of the taking over certificate of the complex as soon as possible. The construction contractor, HIECL, is entitled for extension of the time for completion if the completion is delayed by any of the following clauses:

a) extension for timely completion granted by the employer
b) a cause of delay giving an entitlement to extension
c) any delay, impediment or prevention caused solely by or directly attributable to a material failure by the employer to fulfil its obligations
d) Any delay arising as a result of a force majeure event
e) If the Contractor considers itself to be entitled to an extension of the time, the contractor will give notice to the employer. When determining each extension of time under contractor's claims, the employer will review previous determinations, take into account any extensions of time granted under the EPA and make a determination keeping in view any extensions granted under the terms of the EPA

Initially, the project was expected to come online by 18th Dec'2021, however owing to uncertainty and lockdowns imposed amid COVID-19 pandemic, the COD is extended to end-Mar'2022. It was discussed and almost agreed amongst all stakeholders that no liquidated damages (LDs) will be imposed on any party on account of delay in completion of the project due to Force Majeure Event.

CC/OSEC LDs in view of Delayed Completion: If the contractors fail to achieve delivery of equipment/COD within the stipulated timeframe, the contractors will have to pay to ZPNECL delay LDs after the expiry of the time for delivery/completion at USD $21,420/day of delay. In the event of delivery date/ COD being delayed beyond 240 days from the guaranteed delivery date/time for completion coupled with the delay not being attributable to ZPNECL, the latter has the right to terminate the CC/OSEC for contractors' default. HIECL has a track record of successful completion of projects in Pakistan and all around the world. The total amount pertaining to all LDs cannot exceed 10% of the supply/contract price.

CC/OSEC LDs in view of failing to Achieve Guaranteed Performance: In the event the completed works/supply fails to achieve the performance guarantees (PG), the contractor will have to pay ZPNECL the liquidated damages, calculated in accordance with the detailed formula of performance LDs (mentioned in schedule 4 of CC/OSEC of company's agreements). These LDs are cumulative and if there are claims in respect of more than one PG, the LDs payable will be the sum of the applicable amounts. Any failure by the contractors to timely submit any reports, information or certifications required by CC/OSEC will not result in the imposition of any LDs. Failure to perform tests on completion also fall under the ambit of failing to achieve guaranteed performance. Under this clause, the liability of the contractors is limited to 6.0% of the supply/contract price. Moreover, if the degradation factor exceeds more than 0.5%, the liability of the contractor is limited to 5.5% of the supply/contract price.

Delayed Payment Penalties: If the contractors or the employer do not receive payment on account of delay damages, failure to pass completion tests, failure to remedy defects, timing of payments or any other clause of CC/OSEC, the parties will be entitled to receive the outstanding amount together with interest calculated at a default rate of 1M-LIBOR (London Interbank Offered Rate) plus 3% commencing on the day after the due date of the payment. Both the parties, whichever case maybe, will be entitled delayed payments surcharge without formal notice.

Force Majeure Event (FME) impacting CC/OSEC: 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., any party, who becomes aware first, should give notice to the other party within 36 hours. The party (contractors or employer) which has given notice will be excused performance of its obligations for as long as FME prevents it from performing them. However, FME will not apply to obligations of either party to make payments to the other party under EPA.

The contractors will not be liable for any failure or delay in performing their obligations under CC/OSEC due to and during the existence of FME. If the FME continues for more than 60 days, the contractors are entitled to:

- payment of any cost attributable solely to such event
- payment of any cost attributable to damage caused to the complex/equipment, cost to protect the complex/equipment or the works from any damage that is likely to be caused by FME
- an extension to any performance deadline it is obligated to meet under CC/OSEC, taking into account any extensions of time granted to the ZPNECL under the EPA

On the other hand, if ZPNECL at all times since the occurrence of the FME remain complied with the obligations of "Duty to Minimise Delay and Mitigate" clause, then it will not be liable for any failure or delay in performing its obligations (other than an obligation to make a payment, allowing a day for day extension of time and associated costs to the contractor) under the CC/OSEC during the existence of such FME. However, if the political force majeure event exceeds consecutive 180 days, ZPNECL can serve the contractors with the termination notice.

Energy Purchase Agreement (EPA) signed with CPPA-G for 25 years with take or pay provision on 29th January, 2021

ZPNECL signed the EPA with CPPA-G on January 29, 2021 for a period of 25 years. The cost overruns until the physical completion date of the project are to be determined at the time of COD and may be partially claimed under the tariff true-up. As per the agreement, CPPA-G should take delivery of and pay for all Net Delivered Energy generated by ZPNECL at the interconnection point. In this regard, ZPNECL should not take any action, which would encumber, impair or diminish its ability to generate, sell and deliver the energy. Further, six months prior to expiry of the EPA contract, both the parties will enter into negotiations for sale and purchase of the electrical output of the complex on terms mutually acceptable to them.

Power purchaser has exclusive right to energy: 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 energy to any other party other than the power purchaser.

Construction of Interconnection Facilities: ZPNECL, at its cost, will be responsible for completion and commissioning of seller interconnection facilities in accordance with EPA, generation license and applicable laws of Pakistan. On the other hand, the responsibility of power purchaser interconnection facilities is vested with CPPA-G fully. If CPPA-G has not completed and commissioned 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, in arrears, an amount equal to the carrying costs plus 50% each of the O&M and insurance components multiplied by the average daily energy for each day during the period of such delay. The return on equity (ROE) component during the extended construction period on account of such delay shall be accrued and payable at the time of COD. However, if the delay by the purchaser in completing the facilities continues beyond 150 days, 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 purchaser interconnection facilities have already been completed and energized and ready to disperse the power produced by the plant to the national grid.

EPA Liquidity Damages (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, ZPNECL will pay CPPA-G as liquidated damages an amount equal to $2.50 per kW of contract capacity per month. Moreover, in the event ZPNECL's LC issuing bank fails to make payments of the amounts demanded by CPPA-G, the latter will continue to be entitled to recover the above liquidated damages along with interest at the delayed payment rate for any invoice. Delayed payment rate entails KIBOR+2% per annum for the actual number of days that the relevant amount remains unpaid.

EPA LDs due to Reduction of Contract Capacity: In respect of any downward revision of the declared contract capacity by more than 5% and less than 10%, ZPNECL will pay the power purchaser from immediately available funds as liquidated damages an amount equal USD $350,000 multiplied by the MW (prorated for any fraction) of the reduction after five percent (5%) in the contract capacity.

EPA LDs on Energy Output: CPPA-G can invoice the company for liquidated damages for any positive balance of the shortfall energy in the shortfall energy account. ZPNECL will have to pay these liquidated damages to CPPA-G calculated as the product of kilowatt hours representing the positive balance of the shortfall energy and the then-prevailing use of system charge per kWh allowed by NEPRA to CPPA-G for interconnection and use of grid station.

Late Payment Surcharge: Any bill payment not made by the due date by either party will entail late payment surcharge of Kibor+ 2% per annum, compounded semi-annually, for the actual number of days against which the amount remains unpaid.

Operations & Maintenance (O&M): The O&M agreement was signed with HIECL (operator) on 15th Feburary'2021 for 2 years from COD. ZPNECL will pay in arrears fixed monthly fee of Rs. 7.4m for the tenure of the contract; the total aggregate sum to be paid is Rs. 177.0m. The operator has provided warranty for parts and services for the period of the contract; however, the warranty period can be extended upto 36 months from taking over date in case of any extended warranty item. The operator is obligated to maintain the plant availability at 99% for the entire contract period; however, in case of inability to maintain plant availability at benchmark level of 99%, HIECL is liable to pay ZPNECL LDs calculated at benchmark availability minus actual annual availability for that particular year multiplied by

5% of the total service fee. Total LDs during the agreement year cannot exceed the availability guarantee LD's cap i.e., 100% of the annual contract price.

Tariff: NEPRA has determined the tariff for ZPNECL for 25 years; the proposed annual insurance cost (construction & operation) is calculated at 0.4% of the EPC Cost. Tariff has been computed on 100% foreign financing. The levelized tariff has been decided at Rs. 5.81/ kWh; the following tariff has been proposed:

Components	**(Rs. /kWh)**
O&M Local	**0.7832**
Insurance during Operation	0.1766
Return on Equity	1.3696
Return on Equity during Construction	0.0755
Principal Repayment	2.0661
Interest	1.3354
Levelized Tariff	**5.8085**
Total 1-14 years	6.5982
Total 15-25 years	2.4070

Zhenfa Pakistan New Energy Company (Private) Limited	Appendix I *(Amounts in PKR Thousands)*	
BALANCE SHEET	**31-Dec-19**	**31-Dec-20**
Fixed Assets	47,574.3	130,360.4
Advances, Deposits & Other Receivables	94,877.2	130,939.0
Cash & Bank Balances	5.7	15.2
Total Assets	148,170.7	276,316.1
Trade and Other Payables	1.0	148,762.3
Long Term Debt (*incl. current maturity)	-	-
Short Term Debt	-	-
Paid Up Capital	0.1	0.1
Share Deposit Money	147,063.0	127,453.8
Tier 1/Total Equity	147,163.0	127,453.8
INCOME STATEMENT	**31-Dec-19**	**31-Dec-20**
Revenue	-	-
Gross Profit	-	-
Operating (Loss)	-	-
Profit/ (Loss) Before Tax	-	-
Profit/ (Loss) After Tax	-	-
FFO	-	-
RATIO ANALYSIS	**31-Dec-19**	**31-Dec-21**
Gross Margin (%)	-	-
FFO to Total Debt (x)	-	-
FFO to Long Term Debt (x)	-	-
Debt Servicing Coverage Ratio (x)	-	-
Current Ratio (x)	99.9	0.98
Gearing (x)	-	-
Debt Leverage (x)	6.84*10^3	1.17

ISSUE/ISSUER RATING SCALE & DEFINITIONS — Annexure III

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-IV

Name of Rated Entity	Zhenfa Pakistan New Energy Company Limited
Sector	Power
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	see below
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.
Disclaimer	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. VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2021 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.
Due Diligence Meetings	see below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
03-12-2021	A-	A-2	Stable	Initial

Due Diligence Meetings

	Name	Designation	Date
1	Mr. Khaled Mahmood	CFO	12th Nov 2021
2	Mr. Farrukh Munir	Manager Finance	12th Nov 2021