

## RATING REPORT

### Lucky Renewables (Pvt.) Limited (Formerly: Tricom Wind Power (Pvt.) Limited)

**REPORT DATE:**

December 20, 2023

**RATING ANALYSTS:**

Husnain Ali

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RATING DETAILS				
Rating Category	Entity Rating		Entity Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A	A-2	A	A-2
Rating Outlook	Stable		Stable	
Rating Date	December 20, 2023		December 29, 2022	

#### COMPANY INFORMATION

Incorporated in 2017

**External auditors:** Grant Thornton Anjum Rahman  
Chartered Accountants

Private Limited Company

**Chief Executive Officer:** Abdul Sattar Jumani

**Key Shareholders (with stake 5% or more):**

Lucky Textile Mills Limited - 51%

Lucky Energy (Private) Limited - 49%

#### APPLICABLE METHODOLOGY

Applicable Rating Criteria:

 Corporates (May 2023) <https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

 Rating Scale & Definitions <https://docs.vis.com.pk/docs/VISRatingScales.pdf>

**Lucky Renewables (Pvt) Limited (Formerly: Tricom Wind Power (Pvt) Limited)**

**OVERVIEW OF THE INSTITUTION**

**RATING RATIONALE**

*Lucky Renewables (Pvt.) Limited (Formerly: Tricom Wind Power (Pvt.) Limited ('LRPL' or 'the company') was incorporated as a private limited company in 2015. LRPL is principally engaged in generating electricity and supplying the same to the national grid. Registered office of the company is located in Karachi.*

**Profile of CEO:**  
*Mr. Abdul Sattar Jumani has extensive experience with FMCG, textile, manufacturing and energy sector. He also serves as the CEO of Yunus Energy Limited. Mr. Jumani is Fellow Member of Institute of Cost and Management Accountants of Pakistan.*

Incorporated in 2017, LRPL has setup a 50MW wind power plant in Jhimpir, District Thatta, Sindh. The company commenced commercial operations on September 1, 2021. LRPL is associated with 'Yunus Brother Group', a reputable conglomerate with strong financial profile and presence in diversified sectors including cement, power, building materials, real estate, textile, chemicals, pharmaceuticals, food and automobile sectors.

**Project details:** The total cost of the project was around \$67m (Rs. 10.5b) which was financed in debt-to-equity ratio of 80:20 where debt component comprises an equal mix of local and foreign lenders. The project has an ROE of 14%. The company signed a twenty-five-year Energy Purchase Agreement (EPA) with the Central Power Purchasing Agency (Guarantee) Limited (CPPA) on November 11, 2019. Implementation Agreement (IA) has also been signed in Nov'19 with the President of the Islamic Republic of Pakistan (on behalf of GOP). Presence of long-term EPA with guaranteed capacity payments mitigates off-take risk as obligated of CPPA-G are backed by sovereign guarantee.

Dimensions	Details
Net Capacity	50 MW
Wind Turbine	Siemens Gamesa
Annual Generation	166.44 GWh
Approved Levelized Tariff (Rs./Kwh)	7.33

**Key Rating Drivers**

**Exposure to wind risk:** Given cost plus tariff awarded to LRPL, the onus of wind risk lies on the power producer. Power produced and in turn cash flows are susceptible to seasonality and possible variance in wind speed. Nonetheless, a site-specific Wind Resource Assessment and Energy Yield Evaluation Study confirming the adequate wind availability historically provides comfort against this risk.

**Operational risk is considered manageable given long-term O&M contract in place with experienced O&M operator:** LRPL has 11 yearlong O&M contracts in place with Siemens Gamesa Renewable Energy and Orient Energy Systems (Private Limited). Siemens Gamesa Renewable Energy is one of the largest renewable energy companies providing off-shore and on-shore wind turbines and services. Orient Energy Systems (Private) Limited provides O&M services to Diamer Bhasha Dam, Meezan Bank, K-Electric and Sapphire Group. Annual plant availability and efficiency of the complex were set at 97% and 38%, respectively.

**Demand risk is mitigated through the presence of long-term Energy Purchase Agreement with CPPA-G:** LRPL's lower tariff provides benefit in the merit order position consequently mitigating off-take risk. Lower tariff as compared to older wind power producers is a function of lower Engineering Procurement and Construction (EPC) cost, and higher efficiency of new plants having lesser O&M costs.

**Given the country's intercorporate debt issue, trade debts to sales ratio remained on a higher side:** LRPL's operating fixed assets increased to Rs. 12.9b (FY22: Rs. 11.6b) due to

capitalization of assets by end-FY23. Trade debts are receivables from the CPPA-G that includes interest on late payments, KIBOR as of due and payable date plus 2.00% per annum calculated for the actual number of days of which the relevant amount remains unpaid on the basis of a 365 days year. Trade debts decreased slightly to Rs. 428.1m (FY22: Rs. 443.8m). Meanwhile, the company cash and bank balances increased to Rs. 1.8b (FY22: Rs. 1.4b) by end-FY23.

**Delay in true-up tariff curtailed profitability:** The company sold higher units (MWh) resulting in net sales of Rs. 1.1b (FY22: Rs. 955.1m) during FY23. LRPL's gross margins decreased to 41.4% (FY22: 45.3%) on account of lower reference tariff and the company foregoing interim relief from the GoP during FY23. The company has filed for true-up petition with the GoP and expects it to be finalized by end-Dec'23. Higher financial charges of Rs. 813.3m (FY22: Rs. 390.7m) on account of increase in interest rates and average borrowings, led to a loss of Rs. 368.8m during FY23 compared to a profit of Rs. 51.5m during FY22.

	FY22	FY23	1QFY24
<b>Availability</b>	98.8%	99.4%	96.8%
<b>Efficiency</b>	35.6%	35.0%	52.1%
<b>Units sold (MWh)</b>	128,057.1	140,289.3	50,592.7

**Liquidity and coverages remained stressed:** In light of increasing energy sector's circular debt in the country which has reached Rs. 2.6t mark by end-1QFY24, delays in payments by CPPA translate into liquidity pressures for power producers. Current ratio decreased to 0.6x (FY22: 0.8x) given impact of trade payables (FY23: Rs. 1.9b, FY22: Rs. 1.4b) and higher short-term borrowings on current liabilities. FFO decreased to Rs. 307.6m (FY22: Rs. 1.6b) on account of loss incurred and higher financial charges paid. Meanwhile, debt coverages remain stressed. According to the management, the company has been able to retire its financial obligations in a timely manner. The sponsor support is also evident from related party loans. The adoption of true-up tariff will ultimately enhance LRPL's coverage ratios.

**Leverage indicators remained elevated:** LRPL's equity eroded (FY23: Rs. 2.1b, FY22: Rs. 2.4b) on account of loss incurred during FY23. The long-term borrowings increased on account of translation of foreign currency loans due to the impact of devaluation. The company has availed borrowings at concessionary rate offered by SBP for renewable power producers while foreign currency portion has been arranged through IFC (International Finance Corporation). Repayment tenure of long term foreign and local debt is 13 and 10 years at a rate of 3M LIBOR+4.25% & 5.00%, respectively. The short-term borrowings increased primarily to bridge long-term repayments. Resultantly, leverage indicators increased further. Finalization of true-up tariff and subsequent improvement in equity base and debt repayments through internal capital generation is expected to lower gearing ratio.

**Lucky Renewables (Pvt) Limited (Formerly: Tricom Wind Power (Pvt) Limited)**
**Annexure I**

<b>FINANCIAL SUMMARY</b>			
	<i>(PKR. in millions)</i>		
<b>BALANCE SHEET</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
Operating Fixed Assets	9,177.2	11,320.3	12,902.8
Trade Debts	-	443.8	428.1
Sales Tax Refundable	223.6	168.5	27.5
Cash and Bank Balances	278.4	1,392.8	1,772.9
Other Assets	8.1	14.2	21.6
<b>Total Assets</b>	<b>9,687.2</b>	<b>13,339.7</b>	<b>15,153.0</b>
Long-Term Borrowings (inc. Current Portion)	7,078.0	8,981.4	10,247.3
Short-Term Borrowings	-	256.7	629.3
Trade and Other Payables	181.8	1,408.7	1,908.4
Due to Related Parties	53.9	265.1	307.4
Other Liabilities	-	2.1	3.7
<b>Total Liabilities</b>	<b>7,313.6</b>	<b>10,914.0</b>	<b>13,096.1</b>
Paid-Up Capital	2,213.4	2,213.4	2,213.4
<b>Total Equity</b>	<b>2,374.2</b>	<b>2,425.6</b>	<b>2,056.8</b>
<b>INCOME STATEMENT</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
Net Sales	-	955.1	1,142.0
Gross Profit	-	433.0	472.8
Operating Expenses	(1.9)	(30.3)	(43.4)
Other Income	175.6	39.5	27.9
Finance Cost	(1.2)	(390.7)	(813.3)
Profit/(Loss) before Tax	172.6	51.5	(368.9)
<b>Profit/(Loss) after Tax</b>	<b>172.1</b>	<b>51.5</b>	<b>(368.8)</b>
<b>RATIO ANALYSIS</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
Gross Margin	-	45.3%	41.4%
Net Margin	-	5.4%	-
ROAA	2.8%	0.3%	-
ROAE	11.2%	1.6%	-
Current Ratio (x)	0.7	0.8	0.6
Stock-In-Trade + Trade Debts/ST Borrowings (x)	NC	1.7	0.7
Net Working Capital	(203.2)	(619.1)	(1,433.1)
FFO	(121.2)	422.9	307.6
FFO to Total Debt (x)	0.0	0.2	0.0
DSCR (x)	-	0.9	0.3
Trade Debts to Sales	-	46.5%	37.5%
Debt Leverage (x)	3.1	4.5	6.4
Gearing (x)	3.0	3.9	5.3

REGULATORY DISCLOSURES		Annexure II			
<b>Name of Rated Entity</b>	Lucky Renewables (Pvt) Limited (Formerly: Tricom Wind Power (Pvt) Limited)				
<b>Sector</b>	Power				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Ratings				
<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>
	20-Dec-23	A	A-2	Stable	Reaffirmed
	29-Dec-22	A	A-2	Stable	Reaffirmed
	08-Nov-21	A	A-2	Stable	Initial
<b>Instrument Structure</b>	N/A				
<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.				
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<b>Due Diligence Meetings Conducted</b>	<b>Name</b>		<b>Designation</b>	<b>Date</b>	
	1	Mr. Maqsood Bawany	Senior Manager Finance and Accounts	December 07, 2023	