



## Rating Action

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## PACRA MAINTAINS ENTITY RATINGS OF HUB POWER COMPANY LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of 'AA+' (Double A plus) and short-term rating of 'A1+' (A one plus) of Hub Power Company Limited. These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect the company's consistent performance track record, reflected in high availability and adequate efficiency. The ratings recognize stable cashflows stream as guaranteed by GoP under the Power Purchase Agreement (PPA), subject to adherence to agreed upon performance benchmarks. Meanwhile, the weak financial discipline of the sole customer, Water and Power Development Authority (WAPDA), is a key consideration. HUBCO's association with a major international private power producer - International Power Plc, as a key shareholder and O&M operator - is also a key rating factor.

Narowal project witnessed significant delays in commissioning, and is approaching the final deadline allowed under PPA. Although the management is hopeful of achieving commercial operations shortly, any delays would put pressure on arrangements with power purchaser. PACRA is following the developments, meanwhile the ratings would remain under watch.

### About the company

Hub Power Company Limited (HUBCO), incorporated in 1991, is listed on all three stock exchanges and its Global Depository Receipts are listed on Luxembourg Stock Exchange. HUBCO began commercial operations in Mar 97. The company operates a 1,292MW power plant. The shareholding structure of HUBCO is diverse. The key shareholders include International Power Plc (17%), followed by Xenel Industries Limited (12%), and Fauji Foundation (9%). Mr. Vince Harris took charge of HUBCO as CEO in 2010.

Mr. Harris is a chartered engineer and possesses over 38 years of experience mainly in power sector. Moreover, he has remained associated with HUBCO and International power in the past.

HUBCO is in the process of putting up another thermal IPP of 225MW (referred as Hubco Narowal Project). Additionally, through a majority owned subsidiary, it is setting up a hydel IPP of 84MW.

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