



Rating Action

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Analyst

Daniyal Khalid
(+92-42-35869504)
daniyal.khalid@pacra.com
www.pacra.com

PACRA Assigns Entity Ratings to Kohinoor Energy Limited

The Pakistan Credit Rating Agency Limited (PACRA) has assigned to Kohinoor Energy Limited (KEL), long-term and short term entity ratings of "AA" (Double A) and "A1+" (A one plus), respectively. The 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 strong financial profile emanating from its low leveraged capital structure - project debt paid off - and guaranteed cash flows by GoP under the Power Purchase Agreement (PPA), subject to adherence to predefined parameters. At the same time, the ratings recognize successful in-house management of Operations and Maintenance (O&M) activities, an outcome of technically sound management, robust systems and controls, and strong governance structure. Only major maintenance tasks are outsourced to Wartsila. Meanwhile, the weak financial discipline of the sole customer, Water and Power Development Authority (WAPDA), remains a key challenge with respect to liquidity management.

In-house management of operations and maintenance function, thereby terminating related risk on the company, has aggravated the importance of the management's ability to perform as per PPA agreed performance parameters. Meanwhile, managing liquidity requirements in the midst of circular debt crisis and external factors such as any changes in the regulatory framework of IPPs remain critical to the ratings.

The Company:

Kohinoor Energy Limited (KEL), incorporated in 1994, was established under 1994 power policy as an Independent Power Producer (IPP) with the primary objective of electricity generation. KEL's power plant commenced operations in June 1997. The company is listed on all three local stock exchanges.

The main sponsor of the company is Toyota Tsusho Coporation (36%), while Saigol Group (26%), International Finance Corporation (15%) and Wartsila (2%) are other partners. The remaining shareholding is widely dispersed.

KEL's board comprises seven individuals including the Chief Executive Officer of the company. The board includes four representatives of the TTC (including CEO), two representatives of the Saigol Group (including COO) and one representative of Wartsila Pakistan. Mr. M. Naseem Saigol, chairman of the Saigol Group and a renowned business man, acts as the chairman of the board. The board meets with relatively high frequency and provides active strategic guidance to the top management.

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