



Rating Action

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PACRA ASSIGNS INITIAL RATING TO LIBERTY POWER TECH LIMITED; UPGRADES FACILITIES RATINGS

The Pakistan Credit Rating Agency (PACRA) has assigned a long term entity rating of “AA” (Double A), and short term entity rating of “A1+” (A One Plus) to Liberty Power Tech Limited (LPTL). Meanwhile, the ratings of Sukuk of PKR 13,488mln and term finance facility of PKR 1,649mln are upgraded to “AA” (Previous: AA-). 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 sound management quality that resulted into timely commissioning of LPTL’s plant with minimal cost overruns. The returns are guaranteed subject to adherence of agreed operational performance benchmarks as agreed under long-term Power Purchase Agreement (PPA). The ratings incorporate the performance risk of the plant, which, to a greater extent, has been minimized by the appointment of Wartsila, a firm of international repute with considerable experience in Pakistan, as power plant operator. Though cash flows are guaranteed, weak financial discipline of the power purchasing authority remains a key rating factor.

About the Facilities:

Sukuk: The Company arranged a senior syndicated Islamic finance facility in the form of a diminishing musharaka Sukuk issue. The Sukuk size is PKR 13,488mln. The term of instrument is 12 years and carries profit at the rate of 3-months KIBOR plus 300 bps, payable on quarterly basis. The Issuer has a call option available after two years of operations. The repayment would commence in 2011.

Term Finance Facility: The senior term finance facility of PKR 1,649mln, has been arranged through conventional bank borrowing. The facility has a structure similar to Sukuk, including tenor, interest and repayment.

About the company:

LPTL, incorporated with primary objective of electricity generation, is an independent power producer (IPP) with a 200 MW residual fuel oil (RFO) based power station near Faisalabad. Lately, the plant has started its operations under the GoP Power Policy 2002 to sell electricity to Water and Power Development Authority (WAPDA) / National Transmission and Dispatch Company (NTDC). The cash flows to be accruing to the planned IPP are considered robust to allow LPTL to meet the contractual Sukuk obligations.

LPTL, incorporated in September 2007, is majority-owned (79%) by Liberty Group through Liberty Mills Limited and members of sponsoring (Mukatay) family. Other sponsors are: (1) Wartsila Development Financial services - DFS (11%), and (2) Soorty Enterprise (10%). Mr. Zafar Iqbal Sobani, an experienced accounting professional, is the CEO of LPTL.

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