



Rating Action

Lahore : 14-Apr-2011

Analyst

Awais Zafarullah Khan
(+92-42-35869504)
awais@pacra.com
www.pacra.com

PACRA Upgrades the Entity Ratings of Nishat Power Limited

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term entity rating of Nishat Power Limited (NPL) to "AA" (Double A) {Previous: AA-}, while maintaining short-term rating at "A1 +" (A one plus). 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 low payment risk arising from guaranteed cash flow stream by the GoP under the Power Purchase Agreement (PPA), subject to adherence to agreed performance parameters. Furthermore, the appointment of Wartsila, a firm of international repute with substantial experience in Pakistan, as the Operations and Maintenance (O&M) contractor effectively minimizes the operational risks. Although Nishat group has majorly entered into power sector recently, its diversified experience and business acumen support the ratings. Meanwhile, though the plant runs on furnace oil, its presence near a major consumption area provides comfort for priority payment from power purchaser.

The company: Nishat Power Limited (NPL) operates under the Power Policy 2002 as an Independent Power Producer (IPP). The project, a 200 MW thermal combined cycle power plant, is built at Jambar Kalan, in Kasur District. The plant consists of eleven Residual Fuel Oil (RFO) fired diesel engines along with eleven heat recovery steam generators to provide steam for the sole steam turbine.

Nishat Mills Limited (NML), the major sponsor, currently holds around 57% stake in the company, which is listed on the Karachi and Lahore Stock Exchange. Meanwhile Allied Bank Limited (ABL) and National Bank Limited (NBP) maintain a 16% and 8% stake respectively.

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.