



**Rating Action**

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**PACRA REVISES THE ENTITY RATINGS OF NISHAT POWER LIMITED; PLACES ON RATING WATCH**

The Pakistan Credit Rating Agency (PACRA) has revised the long-term entity rating of Nishat Power Limited (NPL) to 'AA-' (Double A minus) [Previous: AA]. Meanwhile, the short-term entity rating has been maintained 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. Furthermore, the ratings of the company have been placed under *Rating Watch*.

The ratings of NPL reflect its relatively high completion risk. NPL targeted to achieve Commercial Operation Date (COD) by end Dec'09. However, the company experienced technical difficulties during the commissioning stage of the project. As a result, the company was forced to revise its COD to end Mar'10. However, Wartsila, the Engineering Procurement and Construction (EPC) contractor possess robust experience and a strong business profile thus mitigating completion risk to a certain extent.

Given the delay in achieving timely COD, the ratings have been placed under *rating watch*. The ratings will continue to remain under watch till the COD is achieved. A negative rating action maybe warranted incase the project is further delayed.

The Power Purchase Agreement (PPA) guarantees stable future cashflows, subject to adherence to agreed performance benchmarks. Meanwhile, association of the company with Nishat Group is a key rating factor.

**The company:** Nishat Power Limited (NPL) is commissioned under the Power Policy 2002 as an Independent Power Producer (IPP). The project envisages the erection of a 200 MW thermal power plant, based on the Build Operate and Own (BOO) model. The combined cycle power plant is being built at Jambar Kalan, in Kasur District. The plant will consist of eleven Residual Fuel Oil (RFO) fired diesel engines, along with eleven heat recovery steam engines to provide steam for the sole steam turbine.

Nishat Mills Limited (NML), the major sponsor, currently holds around 60% stake in the company while Allied Bank Limited (ABL) and National Bank Limited (NBP) maintain an 18% and 8% stake respectively.

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