The Pakistan Credit Rating Agency Limited

INDEPENDENT POWER PRODUCER

ENGRO POWERGEN THAR (PRIVATE) LIMITED PROFILE	
Incorporated	2014
Major business lines	Independent Power Producer
Legal status	Public Limited
Expected COD	June 2019
Nameplate Capacity	2*330 MW
Primary Fuel	Coal
Plant Location	Thar, Sindh
Head Office	Karachi

INDUSTRY SNAPSHOT

- Pakistan total power generation is increasing on the back of new power projects under CPEC
- Pakistan's energy mix is shifting towards Gas/RLNG and coal from Furnace Oil and other expensive sources
- Gas fired power plants have lowest per unit cost among all fossil fuel power plants.
- Going forward, cheap renewable electricity will be a challenge to the viability of Thermal power plants.

OWNERSHIP

- EPTL's majority ordinary shares are owned by Engro Powergen Limited (EPL) (50.1%) and China Machinery Engineering Company (CMEC) (35%)
- The remaining stake is owned by Habib Bank Limited (HBL) (9.5%) and Liberty Mills Limited (LML) (5.4%). In addition to ordinary shares, $85mln preference shares are all subscribed by CMEC.

GOVERNANCE

- BoD comprises nine members including the CEO; five represent EPL, three CMEC, and one HBL.
- Mr. Shamsudin, Ex CEO is now the Chairman of the Board.
- The diverse experience of the Board Members over different industries is a comforting factor.

MANAGEMENT

- Mr. Ahsan Zafar Syed, CEO of EPTL, He has ample experience in engineering, procurement & construction management, and project management. He was previously engaged with EPTL as Chief Operating Officer.
- Mr. Ahsan is accompanied by a lean but efficient management team.

COMPLETION RISK

- EPTL has signed an Onshore EPC agreement with China East Resource Import & Export Co. (CERIECO) and an offshore agreement with CMEC.
- CERIECO, established in 1993 is a Chinese state-owned company. It specializes in EPC contracts and engineering consulting services.
- CMEC, since 1978, provides engineering consulting, project design, financing solutions, and plant logistic services locally and internationally.
- The company has successfully tested and synchronized its first unit in March-19 while second unit in April-19 where power plant has successfully been connected to, and provided electricity at some capacity, to the grid. However, continuous electricity is not being supplying to grid. After first synchronization various reliability tests are underway where both the units will be tested at different load levels as per the instructions of Power Purch.
- The RCOD of the Complex is scheduled by June-2019 while contracted COD is planned by Oct-2019. In case of any delays, LDs will be paid through shareholders' ROE.
- Coal Supply Agreement has been signed with Sindh Engro Coal Mining Company (SECMC) and the mine's contracted COD is Oct-2019.
- The successful commissioning and operations of the Complex, in addition to its own completion, is dependent on mine's COD and other affiliated infrastructure projects.
- Other affiliated infrastructure projects are; Water Supply System, Effluent Disposal Scheme, Transmission Line, Road Network, & Airport. These projects have completed in first quarter 2019.
- As of Feb'19, the actual progress is 99.15%, based on the shorter 38-month schedule.
- EPTL has attained reasonable insurance cover for material damage, third party liability, and delay in startup affecting the profits. Additionally, Marine, Terrorism, and Excess Third Party Liability Insurances are also held.

PERFORMANCE

- The O&M contractor for EPTL is a JV between EPL & CMEC. The contract is over a 10-year term.
- Contracted availability and efficiency is 85% and 37% respectively.
- The ROE provided to EPTL on use of Thar coal is 30.65% & 24.5% on imported coal.

FINANCIAL RISK

- Debt financing constitutes 75% of the project cost; $831mln.
- USD facility of $621mln and local facility of $210mln have a 14-year door to door tenure and are to be paid in 20 semi-annual payments over a period of 10 years after COD. The USD facility is at LIBOR + 4.2% and local at KIBOR + 3.5%.
- The yearly debt and mine capacity payments can be made at 67% availability (8 months of availability).