The Pakistan Credit Rating Agency Limited

Rating Report

Jhimpir Power (Pvt.) Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
05-Apr-2024	A+	A1	Stable	Upgrade	-
27-Apr-2023	A	A1	Stable	Maintain	-
27-Apr-2022	A	A1	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Jhimpir Power Private Limited (JPL) is operating a 49.735MW wind power plant, located in Jhimpir, District Thatta, Sindh. The project is established under the Renewable Energy Policy 2006 by the Alternative Energy Development Board (AEDB), which offers a guaranteed internal rate of return, cost indexation, and pass-through tariff structure. The plant achieved its commercial operations date (COD) in March 2018. Under the signed Energy Purchase Agreement ("EPA") with CPPAG, the plant will provide electricity to the national grid for a period of 20 years from the COD. The project revenues and cash flows are exposed to two main risks. First; wind risk. Under the upfront tariff regime, any variability in wind speeds is to be borne by the Company, due to which its cash flows may face seasonality. Second; operational risk. The Company has to maintain the plant's capacity factor at 35% annually, and is ready to deliver electricity to the national grid. Comfort is drawn from General Electric – the O&M operator – having both international and local market experience. The Company has adequate insurance coverage. Further The Government of Pakistan has provided a sovereign guarantee against dues from CPPA-G. The working capital requirements are fulfilled through in-house adequate cash flow generation. Net cash from operating activities of the Company stood at ~PKR 3,314mln for CY23 (CY22: ~PKR 2,449mln). During CY23, the plant delivered total net energy of 118GWh with the capacity factor of 27% below the required benchmark due to variation in wind speed and Govt. led curtailments (CY22: 138.7GWh). The change in output delivered is subject to wind speed pattern in the region. JPL is successfully making repayments against its project debt (USD 93.5mln) that is entirely obtained from US International Development Finance Corporation (DFC). The company has successfully repaid approximately 50% of its long-term project debt which adds positively to the financial risk profile.

Upholding operational performance in line with agreed performance levels is important. Receipt pattern from power purchaser, debt repayment behavior and liquidity cushion would impact the directions of ratings. Going forward, timely repayment of significant portion of project debt along with meeting operational benchmarks will contribute towards driving the ratings upwards.

Disclosure	
Name of Rated Entity	Jhimpir Power (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Corporate Rating(Jul-23),Methodology | Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology | Rating Modifiers(Apr-23)
Related Research	Sector Study | Power(Jan-24)
Rating Analysts	Muhammad Mubashir Nazir | mubashir.nazir@pacra.com | +92-42-35869504

Profile

Plant Jhimpir Pvt Ltd (JPL) is a 49.735 MW wind power plant, located in Jhimpir, District Thatta, Sindh. The plant achieved its Commercial Operations Date (COD) in March 2018.

Tariff JPL has a generation tariff (levelized tariff for years 1-10) of US 12.4288 cents/Kilowatt hour (KWh). Then a tariff of PKR 5.7605/Kwh for remaining 10 years (11-20 years.). Currently National Electric Power Regulatory Authority (NEPRA), the company is allowed to charge a tariff of PKR 38.7313/kWh for the quarter Jan-March 2024 subject to applicable indexations and adjustments as per NEPRA Tariff determination.

Return On Project The Return on Equity (ROE) of the project with NEPRA is 17%.

Ownership

Ownership Structure Jhimpir Power Pvt Ltd (JPL) was incorporated in Pakistan as a Pvt Ltd Co. on April 18, 2007 under the repealed Companies Ordinance 1984, Now the Companies Act 2017. The Company is a wholly owned of JPL Holding (Pte) Ltd. The ultimate parent of the Company is JCM Power Corporation (Ontario, Canada).

Stability Stability in the JPL is drawn from the agreements signed between the company and power purchaser. However, sponsors association with JCM Power will continue to provide comfort.

Business Acumen JCM Power, FMO and IFU have a proven history of implementing power projects globally. JCM Power has previously been involved in the construction and development of Wind and Solar projects in Africa.

Financial Strength Sponsors of the Company have shown an unequivocal commitment to support the Company in the future. The group platform provides a support to the Company to enhance financial acumen.

Governance

Board Structure JPL Board of Directors (BOD) comprises five members – Mr. Muhammed Ali, Mr. Saad-Uz-Zaman, Mr. Jonathan Richard Bahen, Mr. Milinda Shamal Wasalathanthri and Mr. Shane Malcolm Eglinton.

Members' Profile The board consists of members from different backgrounds including Engineering, Finance and Investments, Banking, Law and Business Management. The Chairman, Mr. Muhammed Ali an Engineer, has over a decade of experience in the Energy Sector with exposure to key developments in the renewable energy industry. Similarly, remaining members bring vast experience and prerequisite qualifications to be on the board.

Board Effectiveness The board conducts regular meetings with the presence of all members to discuss the matters relating to the plant and company's operations. Proper minutes of the board meetings are maintained covering the detailed discussion during the meetings.

Financial Transparency A. F. Ferguson (PWC) Chartered Accountants is the external auditors of the Company. They have expressed an unqualified opinion on the Company's financial statements for the year ended 31 Dec 2023.

Management

Organizational Structure The management's role in an IPP is confined largely to financial matters and regulatory interactions. In light of this, JPL has a lean organizational structure. The management is mostly engaged in the finance related activities as the operations which are Plant Management, Special Projects and Security.

Management Team Mr. Muhammed Ali, the CEO, has over 12 years of experience in business. He has been with the Company for more than 7 years. Mr. Abdul Basit Tola is appointed as CFO. He is a member of the ACCA, UK and has more than 24 years diversified experience in corporate & management reporting, banking & finance, MIS Implementation.

Effectiveness CEO is involved in day-to-day operations and spearheads the senior management of the Company at all levels. Daily/Weekly/ monthly meetings are conducted between the CEO and relative Head of Departments. The agenda of the meeting includes strategic matters and matters related to ongoing projects (financial & operations).

Control Environment The Company maintains an adequate GE SCADA reporting system for the management to keep track of all operating activities and operational efficiencies. The system generates daily and monthly reports containing information on production and efficiency maintained.

Operational Risk

Power Purchase Agreement JPL key source of earnings is the revenue generated through sale of electricity to the power purchaser, CPPA-G. Energy Purchase Agreement is with CPPA-G, and has tenure of 20 years starting from the COD.

Operation And Maintenance The Company has signed an agreement with General Electric International Inc (G.E) for the Operation and Maintenance Services in relation to their Wind Power Plant valid till March 2028. General Electric has a significant presence globally, and possesses requisite experience to carry out O&M activities effectively.

Resource Risk Wind risk as defined under RE policy 2006 is the risk of variability of wind speed, and therefore of the effective energy output of the wind IPP. However, the risk of wind resource shall be borne by the power producer.

Insurance Cover The company has adequate insurance coverage for material damage, third party liability, terrorism and business interruptions affecting the profits.

Performance Risk

Industry Dynamics The installed capacity within the CPPA-G system as of FY 23 stood at 42,362 MW. This capacity is distributed among various energy sources, with thermal generation accounting for 25,490 MW, hydroelectric contributing 10,635 MW, wind power providing 1,838 MW, solar energy contributing 530 MW, biomass (bagasse) generating 249 MW, and nuclear power adding 3,620 MW. The total generation in CPPA-G area remained 128,623.87 GWh. This comprises of 52.09% from thermal, followed by 25.56% from from hydel, whereas nuclear and renewable contributes to 17.43% and 4.58% respectively. In order to balance the energy mix and to reduce dependence on imported energy, Govt. emphasize the transition towards utilizing renewable energy sources and indigenous fuels.

Generation During CY23 the plant generated Net Electrical Output of 118 GWh (CY22: 138.7 GWh, Benchmark Generation: 152.487Gwh).

Performance Benchmark The required availability during CY23 remained as per required benchmark of 95% as per the EPA. The plant capacity factor as of CY23 was remained below the required benchmark of 35% and stood 27% owing to government led curtailments.

Financial Risk

Financing Structure Analysis Debt financing constitutes 75% of the project cost i.e., USD 127.1mln. The Company has obtained 100% Foreign Debt Financing from International Development Finance Corporation amounting to USD 93.5mln priced at 3MLIBOR plus 4% per annum with the maturity of 10 years with semiannual repayments. Further, the equity portion of the project cost amounts to USD 31.8mln, which is majorly injected through the sponsoring companies.

Liquidity Profile Circular debt continues to be an issue for companies operating in power sector. Though Wind IPPs don't need to procure raw material therefore they rely on internal cash flows. Receivables from CPPAG stood at PKR 3614mln for CY23 (CY22: PKR 2,802mln).

Working Capital Financing Renewable IPPs do not have to pay for fuel which minimizes its working capital needs. JPL's Net Working Capital Days stood at 179 days for CY23 (CY22: 276 days) which is a function of its receivables days.

Cash Flow Analysis Free cash flow from operations for CY23 stood at ~PKR 5,047mln (CY22: PKR 3,007mln). Interest coverage ratio (EBITDA/Finance Cost) as at CY23 clocked at 3.6x (CY22:3.7x)

Capitalization JPL's leveraging at end Dec 23 stood at 55.3% (CY22: 59.3%). The company has been paying its principal and interest instalments as per their agreement with the financing authority. As of March2024, the Company has successfully repaid ~62% of its project debt.

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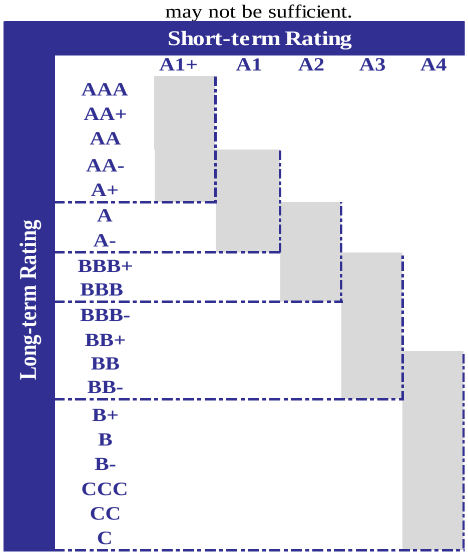
Financial Summary
PKR mln

JHIMPIR POWER (PRIVATE) LIMITED	Dec-23	Dec-22	Dec-21	Dec-20
Power	12M	12M	12M	12M
A BALANCE SHEET				
1 Non-Current Assets	18,368	16,345	14,403	14,187
2 Investments	-	-	-	-
3 Related Party Exposure	-	22	10	17
4 Current Assets	7,946	6,085	5,541	4,469
a Inventories	-	-	-	-
b Trade Receivables	*3,614*	*2,802*	*3,080*	*2,687*
5 Total Assets	26,314	22,452	19,955	18,673
6 Current Liabilities	1,178	390	298	196
a Trade Payables	*106*	*36*	*78*	*44*
7 Borrowings	14,118	13,338	11,907	12,104
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	12	8	12	10
10 Net Assets	11,007	8,717	7,738	6,363
11 Shareholders' Equity	11,007	8,717	7,738	6,363
B INCOME STATEMENT				
1 Sales	6,385	3,815	3,397	1,410
a Cost of Good Sold	*(2,290)*	*(1,712)*	*(1,425)*	*(672)*
2 Gross Profit	4,095	2,103	1,972	737
a Operating Expenses	(170)	(143)	(154)	(118)
3 Operating Profit	3,925	1,960	1,818	620
a Non Operating Income or (Expense)	*705*	*578*	*144*	*67*
4 Profit or (Loss) before Interest and Tax	4,631	2,538	1,962	687
a Total Finance Cost	*(1,513)*	*(862)*	*(586)*	*(315)*
b Taxation	*(63)*	*(21)*	-	-
6 Net Income Or (Loss)	3,055	1,655	1,375	372
C CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO)	*5,047*	*3,007*	*2,707*	*981*
b Net Cash from Operating Activities before Working Capital Changes	*3,852*	*2,298*	*2,207*	*659*
c Changes in Working Capital	*(538)*	*151*	*(306)*	*(8)*
1 Net Cash provided by Operating Activities	3,314	2,449	1,901	652
2 Net Cash (Used in) or Available From Investing Activities	(30)	208	30	(3)
3 Net Cash (Used in) or Available From Financing Activities	(2,139)	(1,945)	(1,295)	(794)
4 Net Cash generated or (Used) during the period	1,145	712	636	(145)
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	67.4%	12.3%	141.0%	--
b Gross Profit Margin	64.1%	55.1%	58.1%	52.3%
c Net Profit Margin	47.8%	43.4%	40.5%	26.4%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	70.6%	82.8%	70.7%	69.0%
*e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity)]*	30.0%	20.1%	18.4%	5.8%
2 Working Capital Management				
a Gross Working Capital (Average Days)	183	281	310	696
b Net Working Capital (Average Days)	179	276	303	684
c Current Ratio (Current Assets / Current Liabilities)	6.7	15.6	18.6	22.7
3 Coverages				
a EBITDA / Finance Cost	3.6	3.7	5.4	3.4
b FCFO / Finance Cost+CMLTB+Excess STB	1.2	1.1	1.3	0.6
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	3.9	6.0	5.4	17.5
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	56.2%	60.5%	60.6%	65.5%
b Interest or Markup Payable (Days)	44.1	66.0	46.2	83.6

Credit Rating
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Long-term Rating	
Scale	**Definition**
AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ **AA** **AA-**	**Very high credit quality.** Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ **A** **A-**	**High credit quality.** Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ **BBB** **BBB-**	**Good credit quality.** Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ **BB** **BB-**	**Moderate risk.** Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ **B** **B-**	**High credit risk.** A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC **CC** **C**	**Very high credit risk.** Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Short-term Rating	
Scale	**Definition**
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



**The correlation shown is indicative and, in certain cases, may not hold.*

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

a) Broker Entity Rating
b) Corporate Rating
c) Debt Instrument Rating
d) Financial Institution Rating
e) Holding Company Rating
f) Independent Power Producer Rating
g) Microfinance Institution Rating
h) Non-Banking Finance Companies Rating

Regulatory and Supplementary Disclosure
(Credit Rating Companies Regulations,2016)

Rating Team Statements
(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) **Conflict of Interest**
i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions
(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business
(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest
(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA´s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review
(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument;| Chapter III | 17-(d)
Probability of Default
(22) PACRA´s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA´s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA´s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)
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