



The Pakistan Credit Rating Agency Limited

Rating Report

Gul Ahmed Wind Power Limited

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Sep-2024	A+	A1	Stable	Maintain	-
28-Sep-2023	A+	A1	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Gul Ahmed Wind Power Limited (“GAWPL” or “the Company”) has set up 50 MW wind power plant - GAWPL located in Jhimpir, District Thatta, Sindh, Pakistan. GAWPL is awarded a upfront tariff, with the payments to be received from CPPA-G backed by the sovereign guarantee. The project achieved financial close (FC) in March 2015. The plant successfully achieved its Commercial Operations (COD) in October 2016 and has been supplying electricity to the national grid since then. Comfort is also drawn from its association with strong sponsors including Gul Ahmed Energy, InfraCo Asia Indus Wind and IFC having relevant experience in energy sector, this is the key consideration in the assigned rating. The Company has signed Energy Purchase Agreement (“EPA”) with CPPA-G, as per the EPA, in case of non-project missed volumes, the power purchaser shall be liable to pay the missed volumes calculated using tariff rates. The Company has adequate insurance coverage to cover the risk of business interruptions. GAWPL signed an O&M contract with Nordex Pakistan Private Limited and Descon Engineering Limited in September 2014. The Company has long term project debt that is repayable in a period of ten years out of which approximately ~63% of foreign and ~54% of local debt has been paid as of July’24. Further, the Company is maintaining the Debt Service Reserve Account (DSRA), which is filled by internal cash generation and provides debt coverage of ~7 months on its financial obligations till retirement of debt. Currently the Company managing its working capital through internal cash generation and a sound liquidity is available on the balance sheet of the Company in the form of liquid investments of approximately ~PKR 4,672mln by end of 1HFY24. FCFO’s for Dec’23 stood at PKR 3,295mln while total receivables were recorded at PKR 5,270mln. Company has generated 53.64 GWh electricity in 1HFY24 (1HFY23:44.32 GWh, FY23:90.63 GWh). The project revenues and cash flows are exposed to wind risk, there is seasonal variation in the wind speed which effect the electricity generation, and ultimately cash flows may face seasonality. However, historical wind speeds provide comfort that GAWPL would be able to generate enough cash flows to keep its financial risk manageable.

External factors such as any adverse changes in the regulatory framework may impact the ratings. Going forward, the capacity of the Company to generate stable cash flows in order to make timely repayments against the project debt remains crucial. With rising concerns about circular debt, the trend of payments received from CPPA-G against invoices will further impact ratings.

Disclosure

Name of Rated Entity	Gul Ahmed Wind Power Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Rating Modifiers(Apr-24),Methodology Correlation Between Long-term & Short-term Rating Scales(Jul-24),Methodology Independent Power Producer Rating(Jul-24)
Related Research	Sector Study Power(Jan-24)
Rating Analysts	Ali Arslan Malik Ali.Arslan@pacra.com +92-42-35869504

Profile

Plant Gul Ahmed Wind Power Limited (GAWPL) is a Renewable Energy Independent Power Producer (RE IPP) operating under the Renewable Energy Policy 2006. The generation license issued by NEPRA on December, 2011. The 50MW wind farm is set up on a Build, Own, and Operate (BOO) basis over 648 acres of land near Jhimpir, District Thatha, Sindh, Pakistan.

Tariff GAWPL was awarded the Up-front Tariff for Wind Power Projects by NEPRA. Under NEPRA tariff determination for wind IPPs, the Company granted a tariff for quarter (Jul-Sep 2024) is PKR 42.1570. The levelized tariff for the project is USD cents 15.3097/kWh (PKR 14.9423/kWh).

Return On Project The ROE of the project, as agreed with NEPRA, is 17%.

Ownership

Ownership Structure Gul Ahmed Wind Power Limited (GAWPL) is subsidiary of Gul Ahmed Energy Limited (GAEL). As at Dec'23 GAEL owned 55.1% owned shareholding, InfraCo Asia Indus Wind Pte. Limited (associated undertaking) owned 35% and 9.9% shareholding in the Company owned by International Finance Corporation.

Stability Gul Ahmed Energy Group has a long history of diversified business since 1948. The Group gradually diversified in various industries with operations across textile, manufacturing, investments, power & energy and currently it is one of the leading industrial groups in the country.

Business Acumen Sponsor group has significant experience in textile, trading and energy & power.

Financial Strength The financial strength of the sponsors is considered strong as they have well diversified profitable businesses.

Governance

Board Structure Gul Ahmed Wind Power Limited Board of Directors (BoD) comprises six members with extensive experience, including the Chief Executive Officer.

Members' Profile Mr. Danish Iqbal is the CEO and the Chairman of the board. He has been with the company for two decades and has been involved in the previous power projects of the group. While, Mr. Abdul Razak Teli is currently serving as a director on the board of GAWPL and has over five decades of experience under his belt. The members have representation on the Board of other companies in different sectors including textile, Energy & Power, Banking and Food.

Board Effectiveness The experiences of board will help guiding the management in developing effective operational and financial policies.

Financial Transparency A.F Ferguson & Co. Chartered Accountants are the external auditors of the Company. They have expressed an unqualified opinion on the Company's financial statements for the period ended June 30, 2023. While, audit of FY24 is in process.

Management

Organizational Structure Gul Ahmed Wind Power Limited has a lean organizational structure. The Company has a well-defined lean organizational structure with a professional management team in place to monitor the operations and assure control mechanisms.

Management Team Mr. Danish Iqbal is the CEO of the Company. He has over two decades of professional experience and has been associated with the Company since its inception. He has been one of the entrepreneurs of Wind Industry in Pakistan.

Effectiveness GAWPL's management effectiveness plays a significant role in empowering the organization through positive results, which has made decision making process systematic.

Control Environment The Company takes advantage of advanced IT Solutions i.e., SAP. Moreover, Company's quality of the IT infrastructure and the breadth and depth of activities performed has remained well satisfactory.

Operational Risk

Power Purchase Agreement Gul Ahmed Wind Power Ltd (GAWPL) has been developed under the Renewable Energy Policy 2006. EPA is with CPPA-G, and has tenure of 20 years.

Operation And Maintenance GAWPL has signed an O & M with DESCOR Engineering Limited and NORDEX Pakistan Private Limited.

Resource Risk The risk of wind resource shall be borne by the power producer.

Insurance Cover As per the agreement, the EPC contractor shall be liable for the damages if benchmark performance ratio has not been met. The Company has adequate insurance coverage with UBL Insurer to cover the risk of property damage and business interruptions.

Performance Risk

Industry Dynamics As on June 30,2023 the installed capacity within CPPAG system stood at 42,362MW which is distributed amongst various sources including thermal (60%), Hydroelectric (25%), Wind (4%), Solar (1%), Biomass (1%) and Nuclear (9%). Total electricity generated in the country during FY23 amounted to 138,029 GWh (FY22: 154,056 GWh). The fall in consumption is a result of declining economic activity and slowdown in the industrial and commercial operations. The high cost of electricity for consumers has also negatively impacted the consumption patterns of households.

Generation GAWPL has generated 53.642 GWh electricity in 1HFY24 with average capacity factor of 36.55% (1HFY23: 44.316; 23.25% and FY23: 90.63; 25.22%).

Performance Benchmark Annual benchmark energy of GAWPL has been calculated by the technical adviser to be 135.780 GWh on the basis of installed capacity of 50MW at Capacity Factor of 31%.

Financial Risk

Financing Structure Analysis The USD facility among IFC, PROPARCO and GAWPL is for USD 46.102mln and is priced at 3MLIBOR plus 5.3% per annum with the maturity of 10 years with 40 quarterly repayments. GAWPL maintaining the Debt Service Reserve Account (DSRA), which is filled by internal cash generation and provides debt coverage of approximately 7 months on its financial obligations till retirement of debt. The local debt facility is arranged through United Bank Limited, NBP and Bank Alfalah Limited amounting to PKR 5.007bln (3MKIBOR+3%). The tenure is of 10 years with 40 quarterly payments. Ratio of foreign to local financing is 50:50.

Liquidity Profile As at end 1HFY24, total receivables of the Company stood at PKR 5,270mln (FY23: PKR 4,593mln). IPP are mainly dependent on payment behavior of power purchaser. Historically IPPs have seen delay in payments from power purchaser. IPPs require a working capital line to fund its needs. GAWPL has net working capital days at end 1HFY24, 235days (FY23: 361days; FY22: 383days).

Working Capital Financing Working capital line ensures that the Company will meet its commercial and financial obligations on time in case of any delay in payments from power purchaser. Renewable IPPs do not have to pay for fuel which minimizes their working capital needs. GAWPL does not have any plan for working capital lines.

Cash Flow Analysis The stability and sustainability of future cash flows of GAWPL depends completely on continuous performance of its wind turbines. GAWPL has FCFO of PKR 3,295mln at end 1HFY24 (FY23: 4,221mln, FY22: PKR 3,647mln). GAWPL is successful in generating adequate FCFOs and similarly the coverage ratio (FCFO/Finance Cost) remains 5.4x as at end Dec'23 (FY23: 3.6x, FY22:4.8x) to meet its debt obligations. Loan is repaid in quarterly installments. GAWPL has paid 32 installments of each loan which were due till July'24.

Capitalization GAWPL leveraging at end Dec'23 stood at 37.1% (FY23: 43%, FY22:46%). The Company has been paying its principal and interest instalments as per their agreement with the financing authority. As of July'24, the Company has successfully repaid approximately ~63% of foreign and ~54% of local debt.



The Pakistan Credit Rating Agency Limited

Financial Summary
PKR mln

Gul Ahmed Wind Power Limited Power	Dec-23 6M	Jun-23 12M	Jun-22 12M	Jun-21 12M
A BALANCE SHEET				
1 Non-Current Assets	10,452	10,900	10,551	10,331
2 Investments	4,672	4,558	3,524	2,857
3 Related Party Exposure	-	-	-	-
4 Current Assets	5,678	5,513	5,205	4,338
<i>a Inventories</i>	-	-	-	-
<i>b Trade Receivables</i>	5,270	4,593	4,840	4,067
5 Total Assets	20,802	20,971	19,279	17,526
6 Current Liabilities	707	1,065	877	765
<i>a Trade Payables</i>	98	272	184	134
7 Borrowings	7,447	8,510	8,455	8,423
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	1	1	1	1
10 Net Assets	12,647	11,395	9,945	8,337
11 Shareholders' Equity	12,647	11,395	9,945	8,337
B INCOME STATEMENT				
1 Sales	3,692	4,538	4,094	3,183
<i>a Cost of Good Sold</i>	(727)	(1,390)	(1,148)	(1,063)
2 Gross Profit	2,964	3,149	2,946	2,121
<i>a Operating Expenses</i>	(53)	(93)	(68)	(60)
3 Operating Profit	2,911	3,056	2,879	2,061
<i>a Non Operating Income or (Expense)</i>	286	279	180	108
4 Profit or (Loss) before Interest and Tax	3,197	3,335	3,059	2,169
<i>a Total Finance Cost</i>	(622)	(1,172)	(771)	(739)
<i>b Taxation</i>	(27)	(43)	(20)	-
6 Net Income Or (Loss)	2,548	2,119	2,269	1,430
C CASH FLOW STATEMENT				
<i>a Free Cash Flows from Operations (FCFO)</i>	3,295	4,221	3,647	2,729
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	2,662	3,211	2,959	1,954
<i>c Changes in Working Capital</i>	(1,024)	66	(772)	(814)
1 Net Cash provided by Operating Activities	1,639	3,277	2,188	1,139
2 Net Cash (Used in) or Available From Investing Activities	161	(1,104)	(197)	670
3 Net Cash (Used in) or Available From Financing Activities	(2,412)	(2,012)	(1,855)	(1,926)
4 Net Cash generated or (Used) during the period	(613)	162	136	(116)
D RATIO ANALYSIS				
1 Performance				
<i>a Sales Growth (for the period)</i>	62.7%	10.9%	28.6%	-16.1%
<i>b Gross Profit Margin</i>	80.3%	69.4%	72.0%	66.6%
<i>c Net Profit Margin</i>	69.0%	46.7%	55.4%	44.9%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	61.5%	94.5%	70.2%	60.1%
<i>e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/STB)]</i>	40.1%	19.4%	23.9%	16.8%
2 Working Capital Management				
<i>a Gross Working Capital (Average Days)</i>	244	379	397	418
<i>b Net Working Capital (Average Days)</i>	235	361	383	405
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	8.0	5.2	5.9	5.7
3 Coverages				
<i>a EBITDA / Finance Cost</i>	5.5	3.7	4.8	3.7
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	1.9	1.3	1.6	1.5
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	1.4	2.8	2.9	4.2
4 Capital Structure				
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	37.1%	42.8%	46.0%	50.3%
<i>b Interest or Markup Payable (Days)</i>	93.0	105.0	100.3	82.6
<i>c Entity Average Borrowing Rate</i>	15.2%	13.7%	9.0%	8.1%

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.

Scale	Long-term Rating
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.

Scale	Short-term Rating
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 conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

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 surveil the opinion due to lack of requisite information.	Harmonization A change in rating due to revision in applicable methodology or underlying scale.
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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. Rating actions may include "maintain", "upgrade", or "downgrade".

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

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

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(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

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- 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

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- (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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