



The Pakistan Credit Rating Agency Limited

Rating Report

Gul Ahmed Wind Power Limited

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Rating History

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

Rating Rationale and Key Rating Drivers

Gul Ahmed Wind Power Limited (GAWPL) has set up 50 MW wind power plant - GAWPL located in Jhampir, 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 ~62% of foreign and ~40.2% of local debt has been paid as of FY-23. Further, the company is 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. 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 4.5bln. FCFO's for June'23 stood at PKR 4,221mln while total receivables were recorded at PKR 4,593mln. Company has generated 90.63 GWh electricity in FY-23. 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 Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology Independent Power Producer Rating(Jul-23),Methodology Rating Modifiers(Apr-23)
Related Research	Sector Study Power(Jan-23)
Rating Analysts	Anam Waqas Ghayour anam.waqas@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 (July-September 2023) is PKR 44.4626. 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 June'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 power & energy.

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.

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 DESCON 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 The total installed capacity of the country as at end-FY22 stood at ~41,557MW out of which ~1,845MW comes from Wind. Thirty-Six (36) wind power projects of 1,745 MW cumulative capacity have achieved Commercial Operation and are supplying electricity to National Grid.

Generation GAWPL has generated 90.63 GWh electricity in FY23 with load factor of 20.69% (FY22: 137.86; 31.47%).

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%. GAWPL has generated 90.63 GWh electricity in FY23 with load factor of 20.69%

Financial Risk

Financing Structure Analysis The USD facility among IFC, PROPARCO and GAWPL is for USD 46.102mIn 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 5.007bIn (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 FY23, total receivables of the company stood at PKR 4,5933mIn (FY22: PKR 4,840mIn). 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 FY23, 361 (FY22: 383days; FY21: 405days).

Working Capital Financing 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. 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.

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 4,221mIn at end FY23 (FY22: 3,647mIn, FY21: PKR 2,729mIn). GAWPL is successful in generating adequate FCFOs and similarly the coverage ratio (FCFO/Finance Cost) remains 3.6x in June'23 (FY22: 4.8x, FY21:3.7x) to meet its debt obligations. Loan is repaid in quarterly installments. GAWPL has paid 27 installments of each loan which were due till June'23.

Capitalization GAWPL leveraging at end June'23 stood at 42.8% (FY22: 46%, FY21:50.3%). The company has been paying its principal and interest instalments as per their agreement with the financing authority. As of June,'23, the Company has successfully repaid approximately ~62% of foreign and ~40.2% of local debt.



Gul Ahmed Wind Power Limited Power	Jun-23 12M	Jun-22 12M	Jun-21 12M	Jun-20 12M
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A BALANCE SHEET

1 Non-Current Assets	10,900	10,551	10,331	11,287
2 Investments	4,558	3,524	2,857	3,496
3 Related Party Exposure	-	-	-	-
4 Current Assets	5,513	5,205	4,338	3,579
<i>a Inventories</i>	-	-	-	-
<i>b Trade Receivables</i>	4,593	4,840	4,067	3,225
5 Total Assets	20,971	19,279	17,526	18,362
6 Current Liabilities	1,065	877	765	806
<i>a Trade Payables</i>	272	184	134	87
7 Borrowings	8,510	8,455	8,423	9,748
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	1	1	1	1
10 Net Assets	11,395	9,945	8,337	7,807
11 Shareholders' Equity	11,395	9,945	8,337	7,807

B INCOME STATEMENT

1 Sales	4,538	4,094	3,183	3,794
<i>a Cost of Good Sold</i>	(1,390)	(1,148)	(1,063)	(1,022)
2 Gross Profit	3,149	2,946	2,121	2,772
<i>a Operating Expenses</i>	(93)	(68)	(60)	(63)
3 Operating Profit	3,056	2,879	2,061	2,709
<i>a Non Operating Income or (Expense)</i>	279	180	108	(101)
4 Profit or (Loss) before Interest and Tax	3,335	3,059	2,169	2,607
<i>a Total Finance Cost</i>	(1,172)	(771)	(739)	(1,137)
<i>b Taxation</i>	(43)	(20)	-	-
6 Net Income Or (Loss)	2,119	2,269	1,430	1,471

C CASH FLOW STATEMENT

<i>a Free Cash Flows from Operations (FCFO)</i>	4,221	3,647	2,729	3,401
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	3,211	2,959	1,954	2,283
<i>c Changes in Working Capital</i>	66	(772)	(814)	(1,760)
1 Net Cash provided by Operating Activities	3,277	2,188	1,139	523
2 Net Cash (Used in) or Available From Investing Activities	(1,104)	(197)	670	(532)
3 Net Cash (Used in) or Available From Financing Activities	(2,012)	(1,855)	(1,926)	(911)
4 Net Cash generated or (Used) during the period	162	136	(116)	(920)

D RATIO ANALYSIS

1 Performance				
<i>a Sales Growth (for the period)</i>	10.9%	28.6%	-16.1%	N/A
<i>b Gross Profit Margin</i>	69.4%	72.0%	66.6%	73.1%
<i>c Net Profit Margin</i>	46.7%	55.4%	44.9%	38.8%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	94.5%	70.2%	60.1%	43.2%
<i>e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/STB)]</i>	19.4%	23.9%	16.8%	18.8%
2 Working Capital Management				
<i>a Gross Working Capital (Average Days)</i>	379	397	418	310
<i>b Net Working Capital (Average Days)</i>	361	383	405	302
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	5.2	5.9	5.7	4.4
3 Coverages				
<i>a EBITDA / Finance Cost</i>	3.7	4.8	3.7	3.0
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	1.3	1.6	1.5	1.6
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	2.8	2.9	4.2	4.3
4 Capital Structure				
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	42.8%	46.0%	50.3%	55.5%
<i>b Interest or Markup Payable (Days)</i>	105.0	100.3	82.6	79.5
<i>c Entity Average Borrowing Rate</i>	13.7%	9.0%	8.1%	11.6%

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.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
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.
AA-	
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.
A-	
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.
BBB-	
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.
BB-	
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.
B-	
CCC	
CC	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.
C	
D	Obligations are currently in default.

Scale	Short-term Rating 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 conditions.
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 surveil 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

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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

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

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(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).

(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)

(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)

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(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)

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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 | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(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 | 18-(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 | 18-(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-(F-VII)

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