



The Pakistan Credit Rating Agency Limited

Rating Report

Jhimpir Power (Pvt.) Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Apr-2022	A	A1	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Jhimpir Power Pvt Ltd (JPL) is operating a 49.735MW wind power plant, located in Jhampir, District Thatta, Sindh. The project is established under the Renewable Energy Policy 2006 by the Alternative Energy Development Board (AEDB). The plant achieved its commercial operations date (COD) in March 2018. The project revenues and cash flows are exposed to wind risk and operational risk. Under the upfront tariff regime, any variability in wind speed is to be borne by the Company. However, historical wind speed patterns provide comfort that JPL would be able to produce electricity to generate sufficient cash flows. Operational Risk is concerned with the plants availability and efficiency as per the benchmarks agreed in the Energy Purchase Agreement (EPA). Comfort is drawn from General Electric International Inc. (G.E) appointed as the Operations & Maintenance (O&M) operator having both local and international experience in the energy sector. CPPA-G has entered in an agreement with JPL as the power purchaser for a tenure of 20 years starting from the COD. 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 activity of the Company stood at PKR 1,578mln for the nine-month period ended on Sept'2021 (FY20: PKR 680mln). 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 31.56% of its long term debt. Operational needs are met through internal cash. However, the financial risk profile of the company is subject to any dividend pay out commitment and short-term borrowings undertaken by the company in future.

Upholding operational performance in line with agreed performance levels is important. Receipt pattern from power purchaser, debt repayment behaviour and liquidity cushion would impact the directions of ratings. External factors such as any adverse changes in the regulatory framework and weakening of financial profile may impact negatively.

Disclosure

Name of Rated Entity	Jhimpir Power (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Independent Power Producer Rating(Jun-21),Criteria Correlation Between Long-term & Short-term Rating Scales(Jun-21),Criteria Rating Modifiers(Jun-21)
Related Research	Sector Study Power(Jan-22)
Rating Analysts	Muhammad Mubashir Nazir mubashir.nazir@pacra.com +92-42-35869504

Profile

Plant Jhimpir Power Limited (JPL) owns a 49.735MW Wind Power Plant located in Jhampir, District Thatta, Sindh. The plant achieved its Commercial Operations Date (COD) in March 2018.

Tariff As per the agreement signed with National Electric Power Regulatory Authority (NEPRA), the company is allowed to charge a levelized tariff of PKR 10.5733/kWh (US cents 10.4170/kWh) subject to applicable indexations and adjustments as per NEPRA Tariff determination.

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

Ownership

Ownership Structure JPL is a wholly-owned subsidiary of JPL Holding PTE Ltd (Singapore). The sponsors of the company are JCM Power (89.03%), Burj Energy International Management Limited Dubai (8.96%) and Burj Power Holdings PTE Ltd (Singapore) (2.01%).

Stability Stability is drawn from the international corporate sponsors having global presence in areas of power generation with focus on renewable energy sector.

Business Acumen JCM Power have a proven history of implementing power projects globally with focus on renewable energy projects in developing economies. The company is involved in the construction and development of renewable projects in Asia and Africa.

Financial Strength The financial strength of the sponsors is considered strong with their global presence and other projects that are under construction.

Governance

Board Structure Currently the board consists of 4 members from the sponsoring companies. 3 members are from JCM Power while 1 member represents Burj Capital. Furthermore, the board has formed 2 sub-committees including Audit and HR to engage and oversee the management decisions.

Members' Profile 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. During FY21 the board conducted regular meetings with the presence of each director.

Financial Transparency The company maintains proper financials for each period. The auditors of the company, A.F. Ferguson & Co have expressed an unqualified opinion on the financial statements for the half year ended December 2020.

Management

Organizational Structure JPL has an integrated organizational structure that is segregated into 2 broad departments: (i) Finance, (ii) Site Operations. The finance division is responsible for billing, taxation, treasury, invoices, compliance, financial planning and analysis. On the other side, the operations division is headed by General Manager Operations who oversees matters relating to the plant site.

Management Team Each of the individuals carry adequate and relevant experience. The CEO is Mr. Omar Masrur who has obtained a bachelors in Engineering along with an MBA. He has an overall experience of 30 years in Investment Banking, Structured Finance, Business Operations, Strategy and Investment.

Effectiveness The CEO 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 management is supported by a team of individuals from the sponsors who provide global support. Under the senior management, the company has appointed different individuals for each role. The company has well organized finance division while the O&M of the plant is outsourced. The operation site team ensures safety of the site along with monitoring O&M contractor in order to minimize any risk that could potentially damage the plants performance.

Operational Risk

Power Purchase Agreement JPL operates under the Renewable Energy Policy 2006. 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 Renewable Energy RE policy 2006 is the risk of variability of wind speed, and therefore of the effective energy output of the wind IPP. As per the EPA, JPL shall be responsible for the delivery of energy.

Insurance Cover Insurance is attained for material damage, third party liability, terrorism, and business interruptions affecting the profits. O&M contractors will be liable to pay Liquidated Damages (LDs) as per the contract if benchmark availability is not achieved.

Performance Risk

Industry Dynamics The total installed capacity of the country as at End-FY21 stood at ~39,772MW out of which ~1,335MW comes from Wind. Twenty-Six (26) wind power projects of 1335 MW cumulative capacity have achieved Commercial Operation and are supplying electricity to National Grid. Ten (10) wind power projects of 510 MW capacity have achieved Financial Closing and are under construction.

Generation During 9MCY21 the plant generated Net Electrical Output of 136.73 GWh (CY20: 123.33GWh). The increase in generation was due to the higher electrical demand from the power purchaser.

Performance Benchmark The plants availability and efficiency during the year was above required benchmarks of 95% and 35% as per EPA.

Financial Risk

Financing Structure Analysis Debt financing constitutes 75% of the project cost i.e., USD 124.7mln. The company has obtained 100% Foreign Debt Financing from Overseas Private Investment Corporation amounting to USD 93.5mln priced at 3MLIBOR plus 4.0 % per annum with the maturity of 10 years with semi-annual repayments. Further, the equity portion of the project cost amounts to USD 31.17mln, which is 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 3,192mln for 9MCY21 (CY20: PKR 2,686).

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 289 days for 9MCY21 (FY20: 111 days). The rise is due to the piling outstanding receivables due from the power purchaser leading to rise in trade receivable days (9MCY21: 302 days, FY20: 168 days).

Cash Flow Analysis Net cash generated from operations for 9MCY21 stood at PKR 1,578mln (FY20: PKR680mln). Interest coverage ratio (EBITDA/Finance Cost) as of 9MCY21 clocked at 6.3x (FY20: 3.5x).

Capitalization JPL's leveraging at end Sept 21 stood at 60.0% (FY20: 69.2%). The company has been paying its principal and interest instalments as per their agreement with the financing authority.



The Pakistan Credit Rating Agency Limited

Jhimpir Power Limited Power	Sep-21 9M	Jun-20 12M	Jun-19 12M	Jun-18 12M
A BALANCE SHEET				
1 Non-Current Assets	14,218	15,254	15,451	12,714
2 Investments	-	-	-	-
3 Related Party Exposure	-	-	-	-
4 Current Assets	5,226	4,765	4,101	3,162
a Inventories	-	-	-	-
b Trade Receivables	3,192	1,648	1,494	716
5 Total Assets	19,444	20,019	19,552	15,875
6 Current Liabilities	248	542	906	2,094
a Trade Payables	61	410	669	1,871
7 Borrowings	11,492	13,435	14,020	10,263
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	36	51	6	5
10 Net Assets	7,668	5,991	4,620	3,513
11 Shareholders' Equity	7,668	5,991	4,620	3,513
B INCOME STATEMENT				
1 Sales	2,834	3,408	2,991	814
a Cost of Good Sold	(1,046)	(1,403)	(1,116)	(380)
2 Gross Profit	1,788	2,005	1,874	434
a Operating Expenses	(118)	(209)	(228)	(20)
3 Operating Profit	1,670	1,797	1,646	414
a Non Operating Income or (Expense)	-	289	377	73
4 Profit or (Loss) before Interest and Tax	1,670	2,085	2,023	487
a Total Finance Cost	(365)	(866)	(909)	(197)
b Taxation	-	(4)	(7)	(9)
6 Net Income Or (Loss)	1,305	1,215	1,107	282
C CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO) - BEFORE SUBTRACTING FINANCE COST PAID	2,336	2,675	2,380	631
b Net Cash from Operating Activities before Working Capital Changes	1,944	1,801	1,520	503
c Changes in Working Capital	(366)	(1,121)	(1,762)	(522)
1 Net Cash provided by Operating Activities	1,578	680	(243)	(20)
2 Net Cash (Used in) or Available From Investing Activities	(2)	13	7	(6,341)
3 Net Cash (Used in) or Available From Financing Activities	(1,375)	(1,291)	363	3,068
4 Net Cash generated or (Used) during the period	201	(598)	127	(3,293)
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	133.4%	14.0%	267.3%	--
b Gross Profit Margin	63.1%	58.8%	62.7%	53.3%
c Net Profit Margin	46.0%	35.7%	37.0%	34.6%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	69.5%	45.6%	20.7%	13.4%
2 Working Capital Management				
a Gross Working Capital (Average Days)	302	168	135	321
b Net Working Capital (Average Days)	289	111	-20	-517
c Current Ratio (Current Assets / Current Liabilities)	21.1	8.8	4.5	1.5
3 Coverages				
a EBITDA / Finance Cost	6.3	3.5	3.0	3.6
b FCFO / Finance Cost+CMLTB+Excess STB	1.6	1.2	1.2	0.9
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	4.4	7.0	8.8	22.6
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	60.0%	69.2%	75.2%	74.5%
b Interest or Markup Payable (Days)	45.6	38.1	51.5	165.3

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+	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	
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	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.
CC	
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):

<p>Entities</p> <ul style="list-style-type: none"> a) Broker Entity Rating b) Corporate Rating c) Financial Institution Rating d) Holding Company Rating e) Independent Power Producer Rating f) Microfinance Institution Rating g) Non-Banking Finance Companies (NBFCs) Rating 	<p>Instruments</p> <ul style="list-style-type: none"> a) Basel III Compliant Debt Instrument Rating b) Debt Instrument Rating c) Sukuk 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)

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- 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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- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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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)
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- (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)
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- (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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