



The Pakistan Credit Rating Agency Limited

Rating Report

Prism Energy (Pvt.) Limited	Report Contents
	<ol style="list-style-type: none"> 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
17-Nov-2023	A+	A1	Stable	Initial	-

Rating Rationale and Key Rating Drivers

InfraCo Asia has growing presence as the leading company for projecting investments in renewable/solar in emerging economies. The Company through its subsidiary InfraCo Pakistan, initiated its solar renewable energy division by the name of Prism Energy to contribute to sustainable energy mix in Pakistan. The Ratings draw comfort from the explicit support provided by the sponsors in terms of equity financing for all operating and two expansionary projects. Prism Energy (the Company) was incorporated in 2019 with a clear focus on providing solar energy solutions. The Company successfully installed three projects in the first year and four projects in the second year of operations with a cumulative capacity of approximately 9MW. Going forward, two projects are under construction. Its business model consists of signing long-term agreements for sale of solar equipment and O&M services with the clients. Installed project cost is received from the customer over a period of 15 years through an agreed tariff consisting of equipment and O&M component. The Company has recently signed two EPC Contracts with Zero Carbon for installation of 2.7MWP projects on a number of sites. All of the projects are 100% equity funded. Moreover, sponsor's have injected equity required to completely fund two expansionary projects.

The Company's topline is mainly driven from Commercial and Industrial sector. During FY23, the Company's topline is recorded to be PKR 63mln (FY22: 21mln) whereas its bottom-line is negative standing at PKR (73)mln (FY22: (80)mln). Gross margins are recorded to be 88% (FY21: 91%) whereas FCFOs are also red standing at PKR (74)mln (FY22: PKR (80)mln). Going forward, topline is expected to be improved with increasing projects. Positive financial position of the Company is depicted by strong cash position. The implementation of IFRS-16, which mandates the recording of all leased assets and related liabilities originating from lease transactions on the books, is also taken into consideration in assigning ratings; nonetheless, this magnified position has no impact on the Company's projected financial health.

The ratings incorporate sponsors' confidence about the soundness of investment strategy in Alternative and Renewable Energy (ARE) especially in solar business as it is completely aligned with Government's policy to promote renewables in Pakistan. The assigned ratings derive impeccable and well-documented support from the ultimate parentage of the Company: InfraCo Asia. It has given a significant boost to the derived ratings on a standalone basis. Moreover, equity injection into the Company assures confidence of the sponsors into the venture. However, the Ratings remain dependent on the management's ability to sustain low risk profile. At the same time, maintaining strong financial profile and liquidity remains critical. Any significant decrease in margins and/or coverages will impact the Ratings.

Disclosure	
Name of Rated Entity	Prism Energy (Pvt.) 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 Prism Energy (the Company) registered on 25 June 2019, as a private limited Company under the Companies Act 2017. The registered office is situated at Office # 208, Al-Qadir Heights, New Garden Town, Lahore. The Company is involved in providing solarization services by installing, operating, and providing O&M services to clients. Currently, the Company has successfully installed seven on-grid projects, cumulative capacity of approx. 9MV.

Tariff The Company signs two kinds of contracts with their client. They are as follows; 1) Sale of equipment and 2) O&M services. Two different tariffs are agreed with the clients, one on the basis of the capacity of solar panels installed & agreed offtake units, the other on the basis of O&M services provided over the life of the contract.

Return On Project Return on Project (RoE) vary from project to project ranging between 12% to 18% approximately.

Ownership

Ownership Structure Prism Energy Pvt. Ltd. has a strong ownership structure consisting of 95% shareholding of InfraCo Pakistan which is the 100% owned by Infraco Asia, and 5% shareholding of Albario Engineering Pvt. Ltd (AEPL). InfraCo Asia is a commercially managed infrastructure development and investment company of the Private Infrastructure Development Group ("PIDG"), a multi-donor organisation that promotes private infrastructure investment in developing countries through specialised financing and project development facilities, having its headquartered in Singapore. Albario Engineering provides one window solution in the fields of Energy, Industrial Solutions and Infrastructure.

Stability Stability is drawn from the agreement signed between the Company and its Sponsors - InfraCo Pakistan and Al Bario to develop, construct and maintain solar power projects in Pakistan.

Business Acumen InfraCo Asia deploys funding and expertise to de-risk the early-stage development of socially responsible and sustainable infrastructure projects that make a lasting impact on people and economies, in alignment with the UN's Sustainable Development Goals. In 2019, InfraCo Asia partnered with AEPL to develop a portfolio of distributed solar power projects – Prism Energy, which further added strength to the mandate.

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

Governance

Board Structure The five-member Board of Directors (BOD) is majorly composed of representatives from InfraCo Asia, including the CEO, while Albario is represented by two members. All the board members are seasoned professionals having interests in various sectors of the industry.

Members' Profile Board members are qualified and have relevant experience in their portfolio reflecting a strong profile.

Board Effectiveness The experiences of board will help guiding the management in developing effective operational and financial policies. The board in collaboration to ensure smooth and effective monitoring of operations. Participation of all board members during board meetings remained satisfactory

Financial Transparency M/s BDO is the external auditor of the Company. They have expressed an unqualified opinion on the Company's financial statements at end-Jun22. The audit of FY23 is in process.

Management

Organizational Structure Prism Energy has a lean management structure. The CEO is supported by a team of qualified and experienced professionals.

Management Team The management control of the company vests with InfraCo Asia being largest shareholder. Mr. Arooj Asghar, the CEO, has been spearheading the company as he carries with him over two decades of experience in various fields of industry

Effectiveness The management of Prism Energy is mostly engaged in the finance related activities. The operations and maintenance of the installed projects is performed in-house. In this regard, Company has built up a team of senior technicians, whom are engaged in bi-weekly and monthly processes for washing and cleaning of solar panels.

Control Environment The Company take advantage of advanced I.T. solutions delivered comparatively better on many fronts. Moreover, quality of the I.T infrastructure and the breadth and depth of activities performed has remained well satisfactory.

Operational Risk

Power Purchase Agreement The Company's main source of earning is the payment received on a monthly basis from the ongoing projects under long-term "sale of equipment agreements" & "O&M agreements" spanning over a span of 15 years.

Operation And Maintenance The Company provides in-house operation and maintenance services to the on-going projects.

Resource Risk Prism Energy is solely involved in the solar business by providing turn-key solutions to customers. Maintaining a healthy pipeline of customers and building payment security mechanisms in off-take agreements are of utmost importance. In addition to this maintaining an experienced team to ensure continuous operations of the installations are imperative for the business.

Insurance Cover Prism Energy has significant insurance coverage for property damage and terrorism and third party business interruption.

Performance Risk

Industry Dynamics After the introduction of the Renewable Power Policy 2006, the inclination towards renewable energy sources i.e. Hydro, Solar, Wind, and Biogas, has been on the rise. Till June FY22, the total installed generation capacity of Pakistan has jumped to 41,557MW (FY21: 37,261MW), posting a growth of 11.5%. The Biggest contributor remains to be thermal i.e. 62% followed by hydro i.e. 24%. Solar Energy's total contribution to the overall energy sector stands at 1%. However, adding Renewable Energy to the system decreases overall costs and ensures green energy, the Government is favoring renewable energy plants to a large extent.

Generation Electrical output has been generated as per the installed capacities at different sites. Currently, the client has installed approx. over 8MV and has a plan to go up to 40MV in the coming years.

Performance Benchmark During FY23, average solar plant availability has been maintained according to agreed parameters. Prism Energy's net loss has reduced to PKR 73mln during FY23 in comparison to the corresponding period last year (FY22: 80mln). Going forward, profits are expected to improve.

Financial Risk

Financing Structure Analysis Prism Energy's current capital structure comprises 100% equity (PKR 1bln approx.) advance against issuance of shares. The Company has zero utilization for long-term and short-term loan. However, the Company is planning to go for debt financing for pursuing expansionary projects.

Liquidity Profile The company has managed its operations from internal cash generation, currently, there are no working capital lines sourced by the Company. Considering the nature of business, timely recovery from the customers and available cash depicts a healthy cashflow position of the Company.

Working Capital Financing The major expenses of running the operations of the Company consist of on-site staff salaries and insurance of the installations which are financed by the timely recovery of receivables. However, any delay in recovery or litigation arose either by client or EPC contractor can effect the ongoing smooth operations / working capital of the Company

Cash Flow Analysis The core coverage ratio (FCFO / Finance Cost + CMLTD + Excess STB) has decreased to (1.2) in FY23 as compared to (0.5) in FY21. The increased reach and building of a new project pipeline will further improve the coverage ratio.

Capitalization Prism Energy's leveraging for FY23 is zero as the projects are totally equity financed. There are no Short term borrowings as well. However, the Company is in the process of arranging the long-term loan for expansion purposes.



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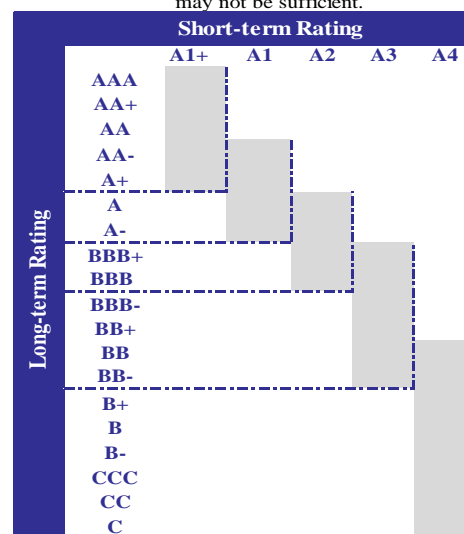
Prism Energy Power	Jun-23 12M	Jun-22 12M	Jun-21 12M
A BALANCE SHEET			
1 Non-Current Assets	590	368	2
2 Investments	-	-	21
3 Related Party Exposure	-	1	1
4 Current Assets	163	419	85
<i>a Inventories</i>	-	294	75
<i>b Trade Receivables</i>	86	33	0
5 Total Assets	753	789	108
6 Current Liabilities	221	283	178
<i>a Trade Payables</i>	-	-	-
7 Borrowings	-	-	-
8 Related Party Exposure	-	-	-
9 Non-Current Liabilities	-	-	-
10 Net Assets	532	505	(70)
11 Shareholders' Equity	532	505	(70)
B INCOME STATEMENT			
1 Sales	63	21	1
<i>a Cost of Good Sold</i>	(7)	(2)	(1)
2 Gross Profit	56	20	(0)
<i>a Operating Expenses</i>	(129)	(100)	(53)
3 Operating Profit	(73)	(80)	(53)
<i>a Non Operating Income or (Expense)</i>	0	-	8
4 Profit or (Loss) before Interest and Tax	(73)	(80)	(45)
<i>a Total Finance Cost</i>	-	-	-
<i>b Taxation</i>	(1)	(0)	(9)
6 Net Income Or (Loss)	(74)	(80)	(54)
C CASH FLOW STATEMENT			
<i>a Free Cash Flows from Operations (FCFO)</i>	(72)	(79)	(45)
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	(72)	(79)	(45)
<i>c Changes in Working Capital</i>	(149)	71	60
1 Net Cash provided by Operating Activities	(221)	(8)	15
2 Net Cash (Used in) or Available From Investing Activities	71	(565)	(98)
3 Net Cash (Used in) or Available From Financing Activities	100	656	90
4 Net Cash generated or (Used) during the period	(50)	83	7
D RATIO ANALYSIS			
1 Performance			
<i>a Sales Growth (for the period)</i>	194.6%	3619.4%	N/A
<i>b Gross Profit Margin</i>	88.3%	91.2%	-23.3%
<i>c Net Profit Margin</i>	-116.7%	-375.1%	-9370.7%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	-350.9%	-37.2%	2646.3%
<i>e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity)]</i>	-13.5%	-28.0%	77.2%
2 Working Capital Management			
<i>a Gross Working Capital (Average Days)</i>	2043	3427	48020
<i>b Net Working Capital (Average Days)</i>	N/A	N/A	N/A
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	0.7	1.5	0.5
3 Coverages			
<i>a EBITDA / Finance Cost</i>	N/A	N/A	N/A
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	-1.2	N/A	-0.5
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	-0.8	0.0	-2.1
4 Capital Structure			
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	0.0%	0.0%	0.0%
<i>b Interest or Markup Payable (Days)</i>	N/A	N/A	N/A
<i>c Entity Average Borrowing Rate</i>	--	--	--
#	Notes		

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+	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	
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.
CC	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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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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- (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)

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- (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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- (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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