

## FINAL REPORT

### Quaid-e-Azam Solar Power (Private) Limited (QASPL)

**REPORT DATE:**

22 Nov, 2016

**RATING ANALYSTS:**

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#### RATING DETAILS

Rating Category	Entity Rating	
	Long-term	Short-term
Entity	AA-	A-1
Rating Outlook	Stable	
Outlook Date	17 Nov'16	

#### COMPANY INFORMATION

Incorporated in 2013	External Auditors: A.F. Ferguson & Co. Chartered Accountants.
Private Limited Company	Chairman: Mr. Arif Saeed
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Muhammad Amjad
Government of Punjab – 100%	

#### APPLICABLE METHODOLOGY (IES)

JCR-VIS Entity Rating Criteria *Industrial Corporate (May 2016)*  
<http://www.jcrvis.com.pk/home2.aspx>

## Quaid-e-Azam Solar Power (Pvt.) Limited

### OVERVIEW OF THE INSTITUTION

Quaid-e-Azam Solar Power (Private) Limited was incorporated as a private limited company under the companies ordinance, 1984 on September 16, 2013. The principal activity of the company is to build, own, operate and maintain a solar plant having a total capacity of 100 MW.

### RATING RATIONALE

The ratings assigned to Quaid-e-Azam Solar Power (Private) Limited (QASPL) takes into account its ownership profile with the Government of Punjab (GoPb) holding 100% stake in the company. The ratings also take into account the sound performance track record of the EPC & OM contractor, TBEA Xinjiang Sunoasis Co. Ltd. Project cash flows are primarily a function of tariff determined by NEPRA.

**Project Profile:** QASPL is part of GoPb initiative to establish a 1,000 MW solar park in Bahawalpur. The feasibility study for the project was prepared by Engineering Consulting Services Punjab (Pvt.) Ltd while German testing agency, PV Lab, was hired for quality assurance of PV modules and inverters. EPC and plant operation and maintenance contract was awarded to Chinese power engineering service provider, TBEA Xinjiang Sunoasis Co. Ltd. The company was awarded a power generation license by NEPRA for 25 years. The project achieved COD on July 15, 2015; however, the plant started energy production on pre-COD basis in April, 2015. The energy is purchased by Central Power Purchasing Agency (Guarantee) Limited (CPPA) under the Energy Purchase Agreement. As per the implementation agreement, payment obligations of the power purchaser are guaranteed by the Government of Pakistan.

The plant operates at 18.28% capacity; the capacity factor of the plant is subject to 0.7% annual degradation. Total energy generated during FY16 surpassed the benchmark energy by 6,792.59 MWh. Tariff for the years 1-10 is Rs. 19.0888 per kWh while the tariff for the years 11-25 is Rs. 7.1168 per kWh. Late payments by NEPRA shall bear interest at a rate equivalent to KIBOR plus 2%.

**Project Cost and Capital Structure:** Total project cost amounted to Rs. 14.8b (USD 149.6m) with debt to equity ratio of 75:25. The company availed a long-term loan facility amounting to Rs. 11.1b with a tenor of 11 years, including a grace period of 1 year. Principal amount is to be repaid in 40 quarterly un-equal installments, with last payment due in July, 2025 while markup is charged at 3-months KIBOR plus 3%. As per the agreement, QASPL is required to maintain a minimum Debt Service Coverage Ratio (DSCR) of 1.25 and minimum current ratio of 1.0.

**Profitability:** Revenues during FY16 amounted to Rs. 2.9b, while gross margin was reported at 71.3%. The company's profitability draws support from high margins with net income reported at R. 1.0b during FY16. Revenues of the company are expected to sustain given fixed tariff.

**Capitalization and Funding:** Issued capital amounted to Rs. 3.8b at end-FY16 (FY15: Rs. 10.0m). With accumulated profit amounting to Rs. 606.3m (FY15: loss of Rs. 108.8m), total equity increased to Rs. 4.4b at end-FY16 (FY15: Rs. 3.7b). Long term financing secured for the solar power plant (including current portion) contributes 84.7% of total liabilities and amounted to Rs. 10.4b at end-FY16 (FY15: Rs. 6.4b). Gearing was reported at 2.36x at end-FY16 (FY15: 1.73x).

**Liquidity and cash flows:** Funds From Operations (FFO) amounted to Rs. 2.75b, while FFO to debt ratio stood at 0.26x at end-FY16. The company's FFO are expected to sustain owing to stable profitability. Moreover, cashflows are considered adequate to timely meet future debt obligations.

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

### Quaid-e-Azam Solar Power (Private) Limited (QASPL)

Annexure-1

<b>FINANCIAL SUMMARY</b>		
	<i>(amounts in PKR millions)</i>	
<b><u>BALANCE SHEET</u></b>	<b>JUNE 30, 2016</b>	<b>JUNE 30, 2015</b>
Fixed Assets <i>(Property, plant and equipment)</i>	13,272	12,507
Long term advances	-	-
Cash & Bank Balances	2,438	1,579
Total Assets	16,743	14,339
Trade and Other Payables	1,459	3,903
Total Equity	4,416	3,701
<b><u>INCOME STATEMENT</u></b>	<b>JUNE 30, 2016</b>	<b>JUNE 30, 2015</b>
Revenue	2,956	-
Gross Profit	2,109	-
Operating Profit	2,080	(14.37)
Profit Before Tax	1,043	(14.49)
Profit After Tax	1,015	(92.87)
<b><u>RATIO ANALYSIS</u></b>	<b>JUNE 30, 2016</b>	<b>JUNE 30, 2015</b>
Gross Margin (%)	71.3%	*
Profit Before Tax Margin (%)	35.3%	*
Net Working Capital	832	(2,714)
FFO to Total Debt (x)	0.26	0.01
FFO to Long Term Debt (x)	0.29	0.01
Debt Servicing Coverage Ratio (x)	2.75	482.7**
Gearing (x)	2.36	1.73
Debt Leverage (x)	2.79	2.87
ROAA (%)	6.5%	-0.6%
ROAE (%)	25.0%	-2.5%

\*No revenues generated

\* No principal repayment

**ISSUE/ISSUER RATING SCALE & DEFINITIONS**

**Annexure II**

**Medium to Long-Term**

**AAA**

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

**AA+, AA, AA-**

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

**A+, A, A-**

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

**BBB+, BBB, BBB-**

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

**BB+, BB, BB-**

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

**B+, B, B-**

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

**CCC**

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

**CC**

A high default risk

**C**

A very high default risk

**D**

Defaulted obligations

**Short-Term**

**A-1+**

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

**A-1**

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

**A-2**

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

**A-3**

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

**B**

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

**C**

Capacity for timely payment of obligations is doubtful.

**Rating Watch:** JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. [www.jcrvis.com.pk/images/criteria\\_watch.pdf](http://www.jcrvis.com.pk/images/criteria_watch.pdf)

**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.jcrvis.com.pk/images/criteria\\_outlook.pdf](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

**(SO) Rating:** A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities

and not on the basis of the credit quality of the issuing entity alone.

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. [www.jcrvis.com.pk/images/policy\\_ratings.pdf](http://www.jcrvis.com.pk/images/policy_ratings.pdf)

**'SD' Rating:** An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		Annexure III			
<b>Name of Rated Entity</b>	Quaid-e-Azam Solar Power Private Limited				
<b>Sector</b>	Power				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	17/11/2016	AA-	A-1	Stable	Initial
<b>Statement by the Rating Team</b>	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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