



Rating Action

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PACRA Maintains Ratings of Liberty Power Tech Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Liberty Power Tech Limited (LPTL) at "AA" (Double A) and "A1+" (A One plus) respectively. PACRA has also maintained the ratings of the Sukuk of PKR 13,488mln and Term Finance Facility of PKR 1,649mln at "AA" (Double A). The ratings denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments.

The ratings reflect the guaranteed cashflows by GoP under the Power Purchase Agreement (PPA), subject to adherence to agreed upon operational performance benchmarks. The ratings incorporate low operational risk emanating from established track record of the O&M operator - Wartsila, a firm of international repute with considerable experience in Pakistan, as a power plant operator. Meanwhile, the accumulation of circular debt arising from the weak financial discipline of the sole customer, National Transmission and Despatch Company (NTDC), is the key challenge faced by the company. Nonetheless, the ratings draw comfort from the explicit commitment to support by the parent - Liberty Mills Limited - in case the need arises.

About The Company: LPTL, incorporated with the primary objective of electricity generation, is an independent power producer (IPP) under Power Policy 2002. The plant, with a total cost of 20,191mln (US\$ 240mln) and net capacity of 196MW, is located near Faisalabad. Based on residual fuel oil (RFO), the plant commenced its commercial production in January 2011. LPTL is majority owned (79%) by Liberty Group through Liberty Mills Limited and members of the sponsoring (Mukaty) family. The ownership of the company is shared with two strategic investors: - 1) Wartsila Development and Financial Services (WDFS) - 11%, and (2) Soorty Enterprises - 10%. WDFS is mainly an investment / advisory arm of Wartsila. Soorty Enterprises - involved in the manufacturing and export of denim and garments - represents family friends.

LPTL's eight member board of directors is dominated by the sponsors, with seven members belonging to the Mukaty family, and one representative of WDFS.

About The Facilities: The project has a debt:equity structure of 75:25. The company obtained project financing in the form of long term facilities to the tune of PKR 15,137mln. The facilities include a diminishing musharaka sukuk of PKR 13,488mln (Outstanding: PKR 13,197mln) and term finance facility of PKR 1,649mln (Outstanding: PKR 1,614mln). The tenor of both the facilities is 12 years and carries a profit rate of 3-months KIBOR plus 3%. Principal is to be repaid in 40 consecutive quarterly installments that commenced from March 2011. Currently, these installments are being repaid within forbearance period of 90 days as practiced in the banking industry.

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