



## Rating Action

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## PACRA MAINTAINS ENTITY RATINGS OF NATIONAL POWER CONSTRUCTION CORPORATION (PRIVATE) LIMITED

PACRA has maintained the long-term and short term ratings of NPCC at "A" (Single A) and "A1" (A one), respectively. The ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect the company's relatively low business risk arising from its established market position and track record in its niche market - design-construct power transmission segment - in Saudi Arabia. Meanwhile, the ratings recognize the company's debt free capital structure along with sound liquidity profile. However, relatively lower nominal quantum of available funds restrains the company's ability to grow due to increasing size of upcoming contracts. The strength of the corporation's management in terms of their technical expertise, business know-how and resourcefulness are key rating factors.

The ratings are dependent on the management's ability to maintain its market standing while acquiring new projects and managing its margins in a highly competitive environment. Meanwhile, any significant debt acquisition to finance volumetric growth in its top-line would have a negative impact on the ratings. The privatization of NPCC, if and when materialized, may also affect the ratings. However, the direction of this rating movement would remain contingent on the profile and strategy of the acquirer.

### About the Company

Established in 1974, NPCC operates in the design-construct power transmission segment in Saudi Arabia. NPCC is majority owned (88%) by the government of Pakistan through the President of Pakistan while the remaining is owned by employees under the Benazir Employee Stock Option Scheme (BESOS). NPCC is on the privatization agenda since long. In this regard the Privatization Commission (PC) has lately revived the process and has engaged a financial advisory consortium. PC is targeting the privatization within 2011. However, given past experiences, the success remains uncertain.

The CEO, an Electrical Engineer by profession, associated with the Corporation since its inception, has worked in different capacities and was elevated to the current position in 1981. He is supported by a team of highly qualified and experienced engineers.

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