# 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)*<br>***http://www.jcrvis.com.pk/home2.aspx*** |

## 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.

## Corporate Profile

Quaid-e-Azam Solar Power (Private) Limited (QASPL) 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 power plant having a total capacity of 100 MW in Lal Sohanra, Cholistan, Bahawalpur. The company is wholly owned by the Government of Punjab (GoP).

National Electric Power Regulatory Authority (NEPRA) granted generation license to the company on June 26, 2014. The license is valid for 25 years i.e. till December, 2039, which commensurate with the expected useful life of Photo Voltaic (PV) solar power plant. The company achieved Commercial Operations Date (COD) on July 15, 2015.

## Board Profile

The Board comprises thirteen members and comprises government officials and professionals from the corporate sector with diversified backgrounds. The Board is chaired by Mr. Arif Saeed who is also the Chairman of Punjab Power Development Company Limited. He also serves as Board member of Service Industries Ltd., Punjab Industrial Estate Development & Management Ltd., Competitiveness Support Fund, Punjab Social Security Health Management Co., and Saif Textile Mills Ltd. Profile of Board members are attached as Annexure-1 to the report.

A total of 9 Board meetings were convened during FY16 with active participation from all Board members. Deliberations during Board meetings covered various strategic matters including budget, audit plan, project review, dividend payment and payments to owner's engineer.

The Board has formed four committees, namely Finance & Procurement Committee, HR Committee, Audit Committee and Nomination Committee. Each committee performs its functions as per the defined terms of references. The composition of Board committees is attached as Annexure-2 to the report.

## Management Team

The management team is headed by Mr. Muhammad Amjad who joined the company as CEO in July, 2016. Mr. Amjad holds a Master degree from McMaster University, Canada and carries over 25 years of experience in energy and power sector.

As per the organogram, Chief Technology Officer (CTO), Chief Legal Officer (CLO), Chief Financial Officer (CFO) and Manager Admin and human resource reports to Chief Executive Officer (CEO) who in-turn reports to the Board. Organogram of the company is attached as Annexure-3 to the report.

Overall, management team comprises experienced resources. Profile of the senior management team is attached as Annexure-4 to the report.

## Internal Audit and IT Infrastructure

Internal audit function is outsourced to M/s Ernst & Young Ford Rhodes Sidat Hyder. Internal audit reported various high risk observations pertaining to accounting & finance, HR, contracts & procurement, legal, and entity wide controls. Management has taken corrective measures to address these issues. QASPL is in process of developing a comprehensive policy manual for accounting and finance function, whereas PPRA rules are used as manual for procurement. External auditor of QASPL is A.F. Ferguson & Co. Chartered Accountants.

QASPL has implemented SAP for the preparation of financial statements. All data from the site can be accessed from Head Office in Lahore on real time basis. Approval for installation of firewall server, storage area network for exchange server, domain controller and back-up media is under process.

## Project Background

Solar power projects in Pakistan are established under the Renewable Energy Policy, 2006. QASPL is part of Government of Punjab (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 the project financing was provided by Bank of Punjab (BoP). ILF Germany is the owners engineer and is responsible to ensure the compliance to international and local standards including IEC and NTDC standards. Another 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 TBEA Xinjiang Sunoasis Co. Ltd, a leading Chinese power engineering service provider. The project started energy production on pre-COD basis in April, 2015 and achieved COD on July 15, 2015. The plant operates at 18.28% capacity with annual production of 153.3 GWh during first year. Furthermore, capacity factor of the plant is subject to 0.7% annual degradation. The silent features of the plant are as follows

| | |
|---|---|
| **Plant Name Plate Capacity** | 100 MW |
| **PV Modules (255 Wp)** | 392,160 |
| **DC Combiner Boxes** | 1,300 |
| **Inverters (500KW)** | 200 |
| **Transformers (0.315/33kV)** | 100 |
| **33kV Collection System loops** | 20 Feeders |
| **SVC (-5~+15 MVAR)** | 02 |
| **Main Transformer (100 MVA)** | 02 |

### Project Cost

Total project cost amounted to Rs. 14.8b (USD 149.6m), with EPC cost amounting to Rs. 13.3b (USD 131.15m). Projected payback of the project is 7.8 years. Breakup of project cost is tabulated below:

| Description | US $ (Millions) | PKR (Millions) |
|---|---|---|
| **EPC Cost** | 131.1 | 13,421.5 |
| **Taxes and duties related to EPC** | 2.5 | 244.3 |
| **Non-EPC Cost** | 4.3 | 292.3 |
| **Project Development Cost** | 3.7 | 216.8 |
| **Interest During Construction** | 4.2 | 413.0 |
| **Finance Fees and Charges** | 3.8 | 261.3 |
| **Total Project Cost** | **149.6** | **14,849.3** |

### Project Financing

The project is financed by 75% debt financing and 25% equity contribution. Debt financing is arranged through a syndicated loan facility from BoP while equity was injected by the Energy Department, GoPb. Breakup of project financing is tabulated below:

| Type | Rs. Millions | % |
|---|---|---|
| **Debt** | | |
| **Bank of Punjab** | 11,137 | 75 |
| **Equity** | | |
| ***Government of Punjab-Energy Department*** | 3,809 | 25 |
| **Total project financing: 14,946** | | |

The syndicated loan facility has a tenor of 11 year including grace period of 1 year. Principal amount is to be repaid in 40 quarterly installments, with last payment due in July, 2025. Interest is charged quarterly at annual rate of 3-months KIBOR plus 3%. .Debt repayment structure is tabulated below:

| Repayment Date | Opening Balance | Principal Repayment | Mark-up Payment |
|---|---|---|---|
| **Jul 16, 2016** | 10,439.0 | 282.1 | 261.0 |
| **Oct 16, 2016** | 10156.9 | 282.1 | 261.0 |
| **Jan 16, 2017** | 9874.7 | 282.1 | 261.0 |
| **Apr 16, 2017** | 9592.6 | 282.1 | 261.0 |
| **Jul 16, 2017** | 9310.5 | 282.1 | 232.8 |
| **Oct 16, 2017** | 9028.3 | 282.1 | 232.8 |
| **Jan 16, 2018** | 8746.2 | 282.1 | 232.8 |
| **Apr 16, 2018** | 8464.1 | 282.1 | 232.8 |
| **Jul 16, 2018** | 8181.9 | 282.1 | 204.5 |
| **Oct 16, 2018** | 7899.9 | 282.1 | 204.5 |
| **Jan 16, 2019** | 7617.7 | 282.1 | 204.5 |
| **Apr 16, 2019** | 7335.5 | 282.1 | 204.5 |
| **Jul 16, 2019** | 7053.4 | 282.1 | 176.3 |
| **Oct 16, 2019** | 6771.2 | 282.1 | 176.3 |

| | | | |
|---|---|---|---|
| **Jan 16, 2020** | 6489.1 | 282.1 | 176.3 |
| **Apr 16, 2020** | 6207.0 | 282.1 | 176.3 |
| **Jul 16, 2020** | 5924.8 | 282.1 | 142.1 |
| **Oct 16, 2020** | 5642.7 | 282.1 | 142.1 |
| **Jan 16, 2021** | 5360.6 | 282.1 | 142.1 |
| **Apr 16, 2021** | 5078.4 | 282.1 | 142.1 |
| **Jul 16, 2021** | 4796.3 | 282.1 | 119.9 |
| **Oct 16, 2021** | 4514.2 | 282.1 | 119.9 |
| **Jan 15, 2022** | 4232.0 | 282.1 | 119.9 |
| **Apr 16, 2022** | 3949.9 | 282.1 | 119.9 |
| **Jul 16, 2022** | 3667.8 | 282.1 | 91.7 |
| **Oct 16, 2022** | 3385.6 | 282.1 | 91.7 |
| **Jan 16, 2023** | 3103.5 | 282.1 | 91.7 |
| **Apr 16, 2023** | 2821.4 | 282.1 | 91.7 |
| **Jul 16, 2023** | 2539.2 | 282.1 | 63.5 |
| **Oct 16, 2023** | 2257.1 | 282.1 | 63.5 |
| **Jan 16, 2024** | 1975.0 | 282.1 | 63.5 |
| **Apr 16, 2024** | 1692.8 | 282.1 | 63.5 |
| **Jul 16, 2024** | 1410.7 | 282.1 | 35.3 |
| **Oct 16, 2024** | 1128.5 | 282.1 | 35.3 |
| **Jan 16, 2025** | 846.4 | 282.1 | 35.3 |
| **Apr 16, 2025** | 564.3 | 282.1 | 35.3 |
| **Jul 16, 2025** | 282.1 | 282.1 | 28.2 |

Assumptions used for repayment schedule are as follows:

| Assumptions | |
|---|---|
| **Base rate (3M KIBOR)** | 7.0% |
| **Spread** | 3.0% |
| **Repayments** | Equal |

In consideration of the debt financing attained, QASPL has assigned immovable property in the sum equivalent to total financing received as security. Furthermore, the company has also hypothecated fixed assets, assigned receivables and insurance claims as security for the debt proceeds received.

As per the agreement signed with the financier, QASPL has to maintain minimum Debt Service Coverage Ratio (DSCR) of 1.25 and minimum current ratio of 1.0 after achieving COD.

**Project Design**

The components of solar power plant are manufactured by TBEA in China and tested in Germany. The plant comprises 392,160 polycrystalline Photo Voltaic (PV) modules, each having a capacity of 255W. There are 200 inverters (100 boxes of 2 inverters each) in place. Inverters have capacity of 500 kVA each, with maximum efficiency of 98.7%.

The energy produced is transmitted through 132kV QA Solar substation to the system. The connection between the two is through a single circuit in/out arrangement of Lal Sohanra, Bahawalpur Cantt via existing 132kV line on rail conductor. Metering room has been constructed in the substation building where energy metering panel has been placed for billing and invoicing purposes.

**Power Generation**

QASPL signed an Energy Purchase Agreement with Central Power Purchasing Agency (Guarantee) Limited (CPPA) on July 08, 2015 for a period of 25 years. As per the implementation agreement, payment obligations of the power purchaser are guaranteed by the GoP. Benchmark energy to be supplied to CPPA during first year, as defined in the agreement, is 153.3 GWh with a capacity factor of 17.5% which is subject to annual degradation of 0.7%. Total energy generated during FY16 surpassed the benchmark and stood at 160,093 MWh. Benchmark and projected annual energy generation is shown in following table:

| Year | Benchmark Energy (MWh) | Benchmark Capacity Factor (%) | Projected Energy (MWh) | Projected Capacity Factor (%) |
|---|---|---|---|---|
| **1** | 153,300 | 17.50 | 160,092 | 18.28 |
| **2** | 152,227 | 17.38 | 158,971 | 18.15 |
| **3** | 151,161 | 17.26 | 157,859 | 18.02 |
| **4** | 150,103 | 17.14 | 156,754 | 17.89 |
| **5** | 149,052 | 17.02 | 155,656 | 17.77 |
| **6** | 148,009 | 16.90 | 154,567 | 17.64 |
| **7** | 146,973 | 16.78 | 153,485 | 17.52 |
| **8** | 145,944 | 16.66 | 152,410 | 17.40 |
| **9** | 144,923 | 16.54 | 151,344 | 17.28 |
| **10** | 143,908 | 16.43 | 150,284 | 17.16 |
| **11** | 142,901 | 16.31 | 149,232 | 17.04 |
| **12** | 141,900 | 16.20 | 148,187 | 16.92 |
| **13** | 140,907 | 16.09 | 147,150 | 16.80 |
| **14** | 139,921 | 15.97 | 146,120 | 16.68 |
| **15** | 138,941 | 15.86 | 145,097 | 16.56 |
| **16** | 137,969 | 15.75 | 144,082 | 16.45 |
| **17** | 137,003 | 15.64 | 143,073 | 16.33 |
| **18** | 136,044 | 15.53 | 142,071 | 16.22 |

| | | | | |
|---|---|---|---|---|
| **19** | 135,092 | 15.42 | 141,077 | 16.10 |
| **20** | 134,146 | 15.31 | 140,089 | 15.99 |
| **21** | 133,207 | 15.21 | 139,109 | 15.88 |
| **22** | 132,275 | 15.10 | 138,135 | 15.77 |
| **23** | 131,349 | 14.99 | 137,168 | 15.66 |
| **24** | 130,429 | 14.89 | 136,208 | 15.55 |
| **25** | 129,516 | 14.78 | 135,254 | 15.44 |

Salient features of the EPA are as follows:

Energy Production:

If energy production in any year falls below 85% of the benchmark production, CPPA shall appoint an inspection engineer at the cost of QASPL. QASPL shall undertake corrective measures suggested by inspection engineer at its own cost.

Payments:

Tariff shall be paid at rate defined by NEPRA. Late payments by either party shall bear interest at a rate equivalent to KIBOR plus 2%. In case production exceeds benchmark, access energy shall be charged as follows:

| Annual Capacity Factor | % of Prevalent Tariff |
|---|---|
| **Above 17.5% to 18.5%** | 75% |
| **Above 18.5% to 19.5%** | 80% |
| **Above 19.5%** | 100% |

Operations of Energy Generation Facility (Complex):

QASPL shall maintain and operate the complex in accordance with established operating procedure, technical limits, grid code and laws of Pakistan. QASPL may contract with the O&M contractor for this purpose, however any such contract shall not relieve QASPL of its obligations and liabilities. QASPL shall ensure the security of the complex at all times. CPPA reserves the right to observe the operations of the complex by giving prior notice.

Metering System:

CPPA has procured and provided to QASPL the metering system and QASPL has installed the electronic recorder for continuous recording of energy delivered. QASPL shall also procure and install, at its own expense, back-up metering system. QASPL shall take necessary actions to prevent tampering of metering system. In case of any tampering, QASPL shall pay 2 times the amount of overpayment received or reasonably estimated amount to CPPA.

Delay Due to Unforeseen Event:

If any unforeseen political event or change in law occurs after COD such that it delays the QASPL's ability to deliver energy, CPAA shall pay the energy price for average daily energy for each day of such delay on monthly basis.

Scheduled and Maintenance Outages:

QASPL shall consult System Operator for developing scheduled outage program for inspection, testing, maintenance, repairs or improvements of the complex. In case work has to be performed on the complex which cannot be delayed till next scheduled outage, QASPL shall arrange for maintenance outage after seeking advice from and ensuring comfort of CPPA.

Reserve Fund:

QASPL shall maintain a Reserve Fund for major maintenance expenses. QASPL shall deposit 1/36th of annual O&M budget on receipt of each energy payment until a reserve equal to 9 such deposits is maintained at all times

**Tariff**

NEPRA revised the tariff for QASPL on the basis of one-time adjustment allowed at COD in June, 2016. 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. Levelized tariff for year 1-25 is Rs. 15.22 per kWh (¢ 14.97 per kWh). Breakdown of tariff is tabulated below:

| Description | Year 1-10 (Rs./kWh) | Year 11-25 (Rs./kWh) | Indexation |
|---|---|---|---|
| **O&M** | 2.4172 | 2.4172 | CPI, US CPI, PKR/USD |
| **Insurance** | - | - | Actual on actual basis |
| **ROE** | 4.6996 | 4.6996 | PKR/USD |

| | | | |
|---|---|---|---|
| **Debt Servicing** | 11.972 | - | KIBOR |
| **Total tariff** | **Rs. 19.0888** | **Rs. 7.1168** | |

**Engineering, Procurement & Construction (EPC) and Operations & Maintenance (O&M) Agreement:**

QASPL entered into Engineering, Procurement & Construction (EPC) and Operations & Maintenance (O&M) Agreement with TBEA Xinjiang Sunoasis Co. Limited (TBEA), subsidiary of Tebian Electric Apparatus Stock Co. Limited on April 21, 2014. As per the agreement, EPC work shall be completed in 225 days from the commencement date, however the EPC work was completed in 365 days. O&M work shall commence within 10 days upon receipt of notice from QASPL by TBEA and shall continue for 25 years thereon. OM period started from July 26, 2015. Following are the key features of the agreement:

<u>Contract Price</u>

Total contract price, including taxes and contingencies, amounted to USD 215.27m. This price includes EPC cost of USD 131.15m and O&M cost of USD73.79 m.

| **EPC Cost** | | | | |
|---|---|---|---|---|
| **Component** | **Amount (USD Million)** | **Payment Currency** | **Advance Payment** | **Remaining Payment** |
| Offshore | 104.92 | USD | 15% | Upon completion of established milestones |
| Onshore | 26.23 | PKR | 15% | |
| **O&M Cost** | | | | |
| **Amount (USD Million)** | **Payment Currency** | | **Payment** | |
| 61.43 | 20% in USD<br>80% in PKR | | Fixed quarterly installments for 25 years | |

<u>Parent Guarantee:</u>

The parent company of TBEA, Tebian Electric Apparatus Stock Co. Limited irrevocably guaranteed the obligations of TBEA.

<u>Performance Security</u>

TBEA provided Performance Security to QASPL which shall be valid till expiry of contract. Until issuance of Completion Certificate of EPC works, performance Security shall be of amount equal to 10% of contract price and after the issuance of the same, the amount will be equal to 2.5% of contract price.

<u>Performance Guarantee:</u>

TBEA shall provide Performance Guarantee for 25 years of O&M period, which shall be based on specific Performance Ratios (PR) as required by QASPL. If PR falls below guaranteed PR upon completion of the project, TBEA shall either reduce the cost of the contract, or install more capacity at its expense, or combination of the two. If TBEA fails to meet the guaranteed PR for three consecutive months after COD, QASPL shall have the right to implement third party monitoring service at the expense of O&M budget. TBEA has to meet annual PR ratio requirements failure of which shall result in performance damages payable by TBEA at the rate of USD 0.20 per kWh or the kWh value QASPL receives, for each kWh or shortfall, whichever is higher.

<u>Repair of Damages or Defects:</u>

Any work required to repair damages or defects shall be executed at the cost and risk of TBEA. If TBEA fails to complete such work within the time specified, QASPL may cease further payments to TBEA and may certify a reasonable reduction in the contract price.

<u>Maintenance Retention Fund:</u>

QASPL shall establish and maintain a Maintenance Retention Fund. 5% of each O&M payment shall be deducted to build up the fund. Proceeds of the same may be used by QASPL, after notifying TBEA, to carry out any required maintenance not performed already.

Any amount outstanding in the fund at the time of contract expiry shall be included in final payment made to TBEA.

<u>Asset Replacement Fund:</u>

Asset Replacement fund shall be maintained to provide necessary funding for replacement of plant as per Plant

Replacement Schedule. TBEA may include amount from the fund while claiming O&M payments.

**Financial Analysis**

**Asset Base**

Total asset base of the company amounted to Rs. 16.7b at end-FY16 (FY15: Rs. 14.3b). Property, plant & equipment amounted to Rs. 13.3b (FY15: Rs. 12.5b), representing 79.3% (FY15: 87.2%) of total assets. Cash and bank balances stood at Rs. 2.4b (FY15: Rs. 1.6b). Breakup of asset base is tabulated below:

| Rs. In millions | FY16 (unaudited) | FY15 (audited) |
|---|---|---|
| **Non-Current Assets** | | |
| ***Property, plant & Equipment*** | 13,272 | 12,507 |
| ***Long term deposits & prepayments*** | 1.5 | 1.5 |
| ***Intangible assets*** | 1.3 | 0.31 |
| **Current Assets** | | |
| ***Cash & bank balances*** | 2,438 | 1,579 |
| ***Advances, deposits & other receivables*** | 206.8 | 10.1 |
| ***Trade Debts*** | 823.2 | 241 |
| **Total Assets** | **16,833** | **14,339** |

**Profitability**

During FY16 revenues from sale of electricity, adjusted for sales tax, amounted to Rs. 2.96b. Cost of sales amounted to Rs. 847.2m including depreciation expense of Rs. 559.7m. Operation and maintenance charges stood at Rs. 203.4m. Gross profit margin was reported at 71.3%.

Administration expenses declined to Rs. 99.8 m during FY16 (FY15: Rs. 142.4 m) on account of lower legal/professional charges and reduction in advertisement and promotion charges. Income from bank deposit amounted to Rs. 160.9m (FY15: Rs. 195.1 m). Other operating expense stood at Rs. 102.6m (FY15: Rs. 67.1m) and represented net exchange loss on the liabilities towards foreign contractors and consultants.

Finance cost during the year amounted to Rs. 1.04b (FY15: Rs. 0.13m). Accounting for taxation, net income was reported at Rs. 1.02b (FY15: loss of Rs. 92.9m).

Revenues of the company are expected to sustain owing to fix tariff. Moreover, gross margins and profitability is also expected to remain largely unchanged, going forward.

**Funding and Capitalization**

Authorized capital of the company stood at Rs. 6b at end-FY16 (FY15: Rs. 6b). Issued capital amounted to Rs. 3.8b (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 (FY15: Rs. 3.7b).

Total liabilities amounted to Rs. 12.3b (FY15: Rs. 10.6b). 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 (FY15: 1.73x) at end-FY16 while leverage ratio stood to 2.79x (FY15: 2.87x) at end-FY16.

**Liquidity**

Trade debts increased to Rs. 0.82b (FY15: Rs. 0.24b) and represents receivables from CPPA against electricity sales. These are secured by a guarantee from the GoP under the Implementation Agreement; a delayed mark-up at the rate of three months KIBOR plus 2% is charged in case the amounts are not paid within due dates. Current ratio was reported at 1.32 at end-FY16 (FY15: 0.4).

Funds from operations amounted to Rs. 2.75b (FY15: Rs. 61m) during FY16 while FFO to debt ratio stood at 0.26x (FY15: 0.01x).

The company's funds from operations are expected to sustain owing to stable profitability. Moreover, cash flows are considered adequate to meet future debt obligations.

**Board Composition**

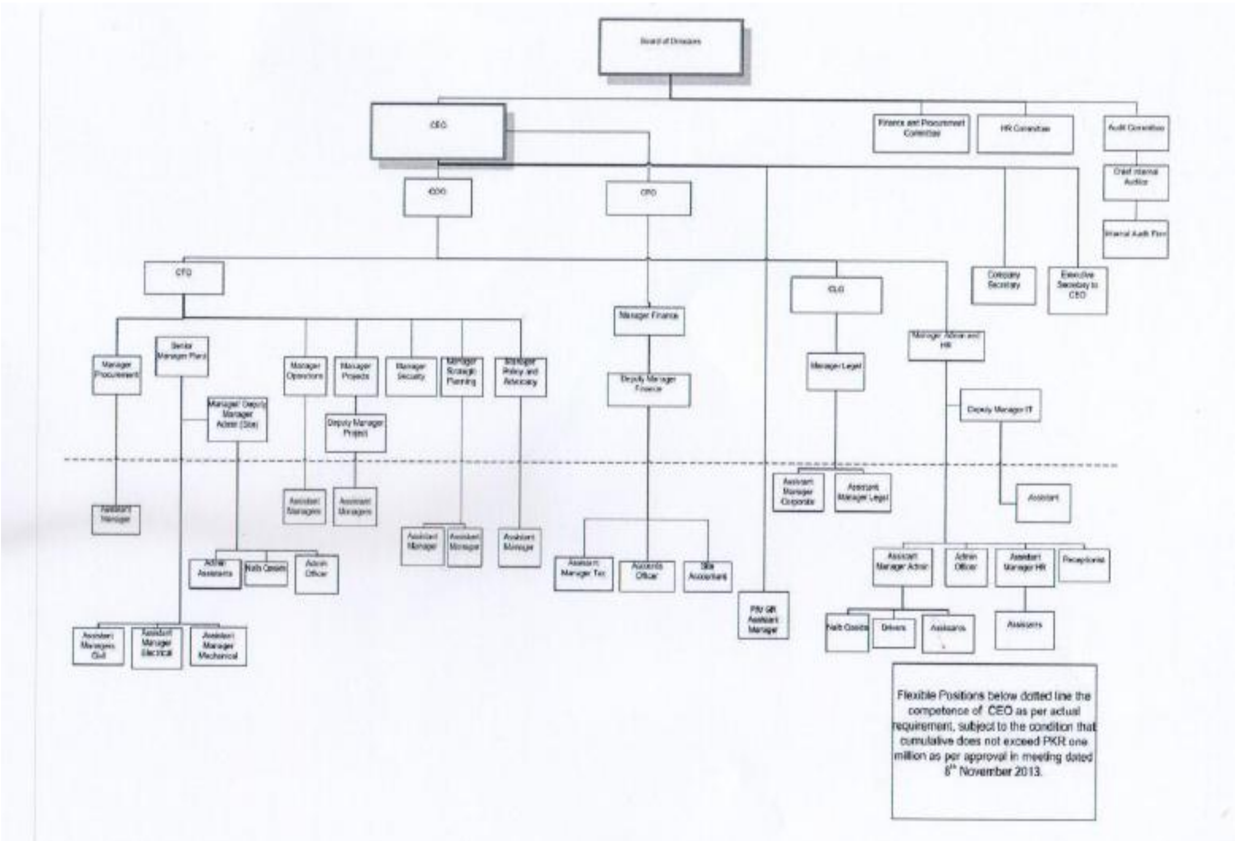
| Name | Qualification | Profile |
|---|---|---|
| **Mr. Arif Saeed (Chairman)** | B.A Honors, Philosophy, Politics & Economics | Mr. Arif is currently the chairman of Punjab Power Development Company Limited. He is also a member of board of various corporations including Service Industries Ltd., Punjab Industrial Estate Development & Management Ltd., Competitiveness Support Fund, Punjab Social Security Health Management Co., and Saif Textile Mills Ltd. |
| **Mr. Muhammad Amjad (CEO)** | MSc. (Engineering), P. Eng | Mr. Amjad brings over twenty-five years of engineering, business development and executive management experience in energy and power sector. |
| **Mr. Muhammad Jehanzeb Khan** | M.B.B.S., MBA | Mr. Jehanzeb is currently serving as the Chairman of Planning and Development Board, GoPb, and Additional Chief Secretary Energy. |
| **Mr. Afzaal Bhatti** | CA, ICAEW | He has over 20 years of experience in auditing, corporate and personal tax planning, business advisory, acquisition and mergers. He also serves as a member of the board of directors of Quaid-e-Azam Thermal Park (Pvt) Ltd, Bank of Punjab, Punjab Institute of Cardiology, and Quaie-e-Azam Hydel Power (Pvt) Ltd. |
| **Mr. Ali Pervaiz Malik** | B.Sc. Economics<br>M.Sc. Finance | Mr. Ali is currently the director on Board of Servaid Pharmacy (Pvt.) Ltd. and Chief Executive of Akram Cotton Mills Ltd. |
| **Mr. Arif Iqbal Rana** | PhD | He is an associate professor at LUMS and carries experience in the area of Family Business, Productivity Improvement and |

| | | |
|---|---|---|
| | | Inventory Management. |
| **Mr. Tariq Hameed** | B.Sc Engg. (Civil) | Mr. Tariq has served as chairman of the Bank of Punjab and WAPDA. He has also been the Federal Minister of Water & Power of the Government of Pakistan and Provincial Minister of Finance and Planning & Development department. |
| **Mr. Khalid Sherdil** | M.Sc. CS | Mr. Khalid brings along the experience in disaster management. He is the Director General of Provincial Disaster Management Authority. |
| **Mr. Rehman Naseem** | BSc. Economics<br>Columbia University | He has rich experience of manufacturing and industrial management. He is also the CEO and Director of numerous companies working under the umbrella of "Fazal Group" and "Fatima Group" |
| **Mr. Muzaffar Miraj Khawaja** | M.Sc. Economics | Mr. Muzaffar is the chairman of Punjab Board of Investment & Trade and carries over 33 years of experience in the banking sector. |
| **Mr. Muhammad Ali Khokhar** | B.A, L.L.B (Hons.)<br>University of Buckingham, UK | Mr. Muhammad Ali served as Member, Advisory Committee on Agri loans in State Bank of Pakistan. He has been elected as Member, Provincial Assembly of the Punjab in general elections 2013 |
| **Mr. Shokat Ali** | | |

**Quaid-e-Azam Solar Power (Private) Limited (QASPL)** **Annexure-2**

| Sr. No. | Name of Committee | Members of Committee |
|---|---|---|
| **1.** | Human Resource Committee | • Mr. Afzaal Bhatti (Chairman)<br>• Mr. Jehanzeb Khan<br>• Mr. Muhammad Amjad<br>• Mr. Tariq Hameed |
| **2.** | Finance and Procurement Committee | • Mr. Arif Saeed (Chairman)<br>• Mr. Jehanzeb Khan<br>• Mr. Shaukat Ali<br>• Mr. Rehman Naseem |
| **3.** | Audit Committee | • Mr. Ali Pervaiz Malik (Chairman)<br>• Mr. Afzaal Bhatti<br>• Mr. Muzaffar Miraj Khawaja |
| **4.** | Nomination Committee | • Mr. Arif Saeed (Chairman)<br>• Mr. Muhammad Jehanzeb Khan |

## Organogram


Board of Directors
CEO
Finance and Procurement Committee
HR Committee
Audit Committee
Chief Internal Auditor
Internal Audit Firm
COO
CFO
CTO
Company Secretary
Executive Secretary to CEO
CLO
Manager Finance
Deputy Manager Finance
Manager Legal
Manager Admin and HR
Deputy Manager IT
Manager Procurement
Senior Manager Plant
Manager/ Deputy Manager Admin (Site)
Manager Operations
Manager Projects
Deputy Manager Project
Manager Security
Manager Strategic Planning
Manager Policy and Advocacy
Assistant Manager
Assistant Managers
Assistant Manager Corporate
Assistant Manager Legal
Assistant
Admin Assistants
Admin Officer
Assistant Manager Tax
Accounts Officer
Site Accountant
PM GB Assistant Manager
Assistant Manager Admin
Assistant Manager HR
Receptionist
Drivers
Assistants
Assistant Managers Civil
Assistant Manager Electrical
Assistant Manager Mechanical
Flexible Positions below dotted line the competence of CEO as per actual requirement, subject to the condition that cumulative does not exceed PKR one million as per approval in meeting dated 8th November 2013.

**Management Team**

| Name | Designation | Qualification | Profile |
|---|---|---|---|
| **Mr. Muhammad Badar ul Munir** | Chief Financial Officer (CFO) | B.A., M.A.<br>CA, ICAP | Mr. Badar ul Munir is a chartered accountant by professions and was previously associated with Punjab Skills Development Fund. He has been a part of QASPL management team since Dec, 2013. |
| **Mr. Sajjad Ahmed Sajid** | Chief Technical Officer (CTO) | BSc (Electrical)<br>PMP | Mr. Sajjad has 36 years of experience in the power sector and was previously associated with WAPDA, Saudi Electric Company South, Siemens Limited and Saudi Service for Electromechanical Works. |
| **Mr. Muhammad Saqlain Arshad** | General Legal Officer (CLO) | BA, LLB, LLM | Mr. Saqlain carries 13 years of experience and has worked in various law firms, including Sheikh law associate, NEPRA, National Transmission & Dispatch Company and SECP. |
| **Mr. Sheraz Munir** | Chief Internal Auditor (CIA) | B.Com, MBA, CICA, ACPA, AFA<br>CA (Finalist) | He has 20 years of experience and was previously associated with Nazir Chaudhry & Company, Riaz Ahmed & Company, Parker Randall, PTCL, Universal Service Fund Company, and Punjab Enabling Environment Project. |

| **FINANCIAL SUMMARY** *(amounts in PKR millions)* | | |
|---|---|---|
| **BALANCE SHEET** | **JUNE 30, 2016** | **JUNE 30, 2015** |
| **Fixed Assets** *(Property, plant and equipment)* | 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 |
| **INCOME STATEMENT** | **JUNE 30, 2016** | **JUNE 30, 2015** |
| **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) |
| **RATIO ANALYSIS** | **JUNE 30, 2016** | **JUNE 30, 2015** |
| **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- 6

**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.

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**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

**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

**(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

**'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.

| REGULATORY DISCLOSURES | Annexure-7 |
|---|---|
| **Name of Rated Entity** | Quaid-e-Azam Solar Power Private Limited |
| **Sector** | Power |
| **Type of Relationship** | Solicited |
| **Purpose of Rating** | Entity Rating |
| **Rating History** | See table below |
| **Statement by the Rating Team** | 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. |
| **Probability of Default** | JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default. |
| **Disclaimer** | Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings.  Contents may be used by news media with credit to JCR-VIS. |

**Rating History**

| Rating Date | Medium to Long Term | Short Term | Rating Outlook | Rating Action |
|---|---|---|---|---|
| **RATING TYPE: ENTITY** | | | | |
| 17/11/2016 | AA- | A-1 | Stable | Initial |