



Rating Action

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PACRA MAINTAINS ENTITY RATINGS OF ATLAS POWER LIMITED

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of Atlas Power Limited (APL) at 'AA-', (Double A minus) and 'A1+' (A One plus), respectively. The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings of APL reflect its strong financial profile. APL's good credit terms with fuel supplier and efficient inventory management has enabled it better management of debt repayments. Nevertheless, delayed payments from the power purchaser remained a challenge. Receivable days shown an increase in FY16, yet the entity managed to sustain its financial strength. Business risk is considered low exhibited by demand risk coverage under Power Purchase Agreement signed between NTDC and the company. The implementation agreement further provides sovereign guarantee for cashflows, given adherence to agreed performance benchmarks. The ratings incorporate low operational risk, a result of the performance of MAN Diesel Pakistan - the O&M operator. Sound financial profile of Atlas Group; the major sponsor, provides comfort to the ratings.

Adherence to good financial discipline towards both financial and commercial obligations would remain important. Meanwhile, upholding strong operational performance in line with agreed performance levels remain important. Any significant increase in overdue receivables, in turn weakening in financial risk profile would be a concern.

ABOUT ATLAS: APL, a public limited unlisted company, was established in January 2007. Shirazi Investments (Pvt.) Limited with 85% shareholding in APL is the main sponsor of the Company. Remaining shareholding lies with Allied Bank Limited (ABL) (7.5%) and National Bank of Pakistan (NBP) (7.5%). Shirazi Investments functions as the holding company of Atlas Group - having dominant interests in auto and allied segments - cars, motorcycles, batteries - and non banking financial industry - insurance and asset management.

APL's board comprises nine members, excluding the CEO, with five representatives of Shirazi Investments, two independent directors, and one representative each of NBP and ABL. Mr. Maqsood A. Basraa, the CEO of APL, has extensive experience within the group, where he has served under various capacities since 1989. He is supported by a skilled team of professionals.

Applicable Criteria and Related Research

- Independent Power Producer-Viewpoint | Feb-16
- IPPs Rating Methodology

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