



## Rating Action

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## Analyst

Zain Tariq  
(+92-42-35869504)  
zain.tariq@pacra.com  
www.pacra.com

## PACRA MAINTAINS RATINGS OF FOUNDATION POWER COMPANY DAHARKI LIMITED

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of Foundation Power Company Daharki Limited (FPCDL) at "A+" (Single A Plus) and "A1" (A One) respectively. The ratings denote a low expectation of credit risk.

The ratings reflect strong business profile of FPCDL emanating from the 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 KEPCO - the O&M operator. Fuel of the plant is 'low BTU' gas, which is supplied by an associate - Mari Petroleum Company Limited (40% owned by Fauji Foundation). Thus fuel supply risk is considered low. The company manages its working capital requirements by stretching payables to the fuel supplier. Short-term borrowing lines are maintained to fund any short-fall in debt servicing and/or dividend payments. The company's association with Fauji Foundation (FF) provides comfort to the ratings.

The ratings of FPCDL are dependent on its ability to continue adhering to agreed performance benchmarks. Meanwhile, improvement in managing commercial obligations and sustainability of timely debt repayments may positively impact the ratings.

**About the company:** FPCDL was established in 2005 under the Companies Ordinance 1984 as an independent power producer. The company is operating a combined cycle power plant with a net initial capacity of 180MW. FPCDL's plant commenced operations in May 2011. FPCDL is majority owned by Daharki Power Holdings Limited, which, in turn is owned by FF (81%) and Asian Development Bank (ADB) (19%).

The seven-member Board, comprising five representatives from FF and two from ADB, provides adequate guidance to the company. Lt. Gen. Khalid Nawaz Khan (Retd.) - Managing Director of FF - chairs the board. Lt. Gen. Jamil Haider (Retd.) is the newly appointed Managing Director of FPCDL. He is supported by an experienced senior management team.

## Applicable Criteria and Related Research

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

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