



The Pakistan Credit Rating Agency Limited

## RATING REPORT

### ATLAS POWER LIMITED

	<b>NEW [OCT-16]</b>	<b>PREVIOUS [OCT-15]</b>
Long-Term	AA-	AA-
Short-Term	A1+	A1+
Outlook	Stable	Stable

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OCTOBER 2016





## Atlas Power Limited

## BALANCE SHEET

	30-Jun-16	30-Jun-15	30-Jun-14
	Annual	Annual	Annual
<b>Non-Current Assets</b>	<b>14,686</b>	<b>15,472</b>	<b>16,261</b>
Investments (Others)	1	-	-
<b>Current Assets</b>	<b>9,577</b>	<b>9,959</b>	<b>13,003</b>
Inventory	371	447	474
Trade Receivables	7,745	8,406	11,085
Other Current Assets	1,437	984	954
Cash & Bank Balances	24	122	490
<b>Total Assets</b>	<b>24,262</b>	<b>25,431</b>	<b>29,265</b>
<b>Debt</b>	<b>12,967</b>	<b>13,163</b>	<b>17,587</b>
Short-term	5,060	4,251	7,386
Long-term (Incl. Current Maturity of long-term debt)	7,907	8,912	10,201
Other Short term liabilities (inclusive of trade payables)	3,149	4,378	3,696
Other Long term Liabilities	12	10	13
<b>Shareholder's Equity</b>	<b>9,245</b>	<b>7,880</b>	<b>7,960</b>
<b>Total Liabilities &amp; Equity</b>	<b>25,374</b>	<b>25,431</b>	<b>29,255</b>

## INCOME STATEMENT

<b>Turnover</b>	<b>14,730</b>	<b>22,774</b>	<b>28,293</b>
Gross Profit	4,480	4,358	4,308
Other Income	(10)	(6)	13
Financial Charges	(1,125)	(1,899)	(1,968)
<b>Net Income</b>	<b>3,144</b>	<b>2,290</b>	<b>2,183</b>

## Cashflow Statement

Free Cashflow from Operations (FCFO)	5,068	4,984	4,951
Net Cash changes in Working Capital	(1,541)	397	(4,192)
Net Cash from Operating Activities	2,317	3,404	(1,374)
Net Cash from Investing Activities	(5)	(10)	(7)
Net Cash from Financing Activities	(2,410)	(3,762)	737
Net Cash generated during the period	(98)	(368)	(644)

## Ratio Analysis

## Performance

Turnover Growth	-35.3%	-19.5%	9.2%
Gross Margin	30.4%	19.1%	15.2%
Net Margin	21.3%	10.1%	7.7%
ROE	34.0%	27.0%	29.2%

## Coverages

Debt Service Coverage (X) (FCFO/Gross Interest+CMLTD)	1.8	1.5	2.7
Interest Coverage (X) (FCFO/Gross Interest)	4.5	2.6	9.1
FCFO Pre-WC/Gross interest+CMLTD	1.8	1.5	2.7
FCFO POST-WC/Gross interest+CMLTD	1.2	2.9	0.4
FCFO+change in WC+Change in STB/Gross Interest+CMLTD	1.4	1.6	2.8

## Liquidity

Short Term Borrowings Coverage (Adjusted Quick Assets/Short Term Borrowings)	n.a.	1.6	1.1
Net Cash Cycle (Inventory Days + Receivable Days - Payable Days)	155.4	110.1	108.6

## Capital Structure (Total Debt/Total Debt+Equity)

	58.4%	62.6%	68.8%
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## STANDARD RATING SCALES & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS		SHORT TERM RATINGS
<b>AAA</b>	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.	<b>A1+:</b> The highest capacity for timely repayment.
<b>AA+</b> <b>AA</b> <b>AA-</b>	<b>Very high credit quality.</b> Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	<b>A1:</b> A strong capacity for timely repayment.
<b>A+</b> <b>A</b> <b>A-</b>	<b>High credit quality.</b> Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.	<b>A2:</b> A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>	<b>Good credit quality.</b> Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances or economic conditions are more likely to impair this capacity.	<b>A3:</b> An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
<b>BB+</b> <b>BB</b> <b>BB-</b>	<b>Moderate risk.</b> Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.	<b>B:</b> The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
<b>B+</b> <b>B</b> <b>B-</b>	<b>High credit risk.</b> A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business, and economic environment.	<b>C:</b> An inadequate capacity to ensure timely repayment.
<b>CCC</b> <b>CC</b> <b>C</b>	<b>Very high credit risk.</b> “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.	
<b>D</b>	Obligations are currently in default.	

### Rating Watch

Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. Rating Watch may carry designation – Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled.

### Outlook (Stable, Positive, Negative, Developing)

Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

### Suspension

It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, a suspended rating should be considered withdrawn.

### Withdrawn

A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, or e) the entity/issuer defaults.

**Disclaimer:** PACRA's rating is an assessment of the credit standing of an entity/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.



Name of Rated Entity  
Sector  
Type of Relationship

Atlas Power Limited  
IPP  
Solicited

Purpose of the Rating

Independent Risk Assessment

Rating History

Dissemination Date	Long Term	Short Term	Outlook	Action
30-Oct-15	AA-	A1+	Stable	Upgrade
5-Mar-15	A+	A1	Positive	Maintain
24-Jan-14	A+	A1	Stable	Maintain
26-Nov-12	A+	A1	Stable	Downgrade
09-Apr-12	AA	A1+	RW	Maintain

Related Criteria and Research

Rating Methodology  
Sector Research

IPP's Rating Methodology  
Power Sector - Viwepoint | Feb16

Rating Analysts

Sanna Khan <a href="mailto:sanna.khan@pacra.com">sanna.khan@pacra.com</a> (92-42-35869504)	Aisha Khalid <a href="mailto:aisha@pacra.com">aisha@pacra.com</a> (92-42-35869504)
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Rating Team Statement

**Rating Procedure**

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

Disclaimer

**Rating Shopping**

PACRA maintains principle of integrity in seeking rating business.

PACRA has used due care in preparation of this document. Our information has been obtained directly from the underlying entity and public sources we consider to be reliable

but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information.

**Conflict of Interest**

PACRA, 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 done by them

The analysts involved in the rating process do not have any interest in a credit rating or any of its family members has any such interest

The analysts and members of the rating committees including the external member members have disclosed all the conflict of interest, including those of their family members, if any, to the Compliance Officer PACRA

The analysts or any of its family members do not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This is, however, not applicable on investment in securities through collective investment schemes. PACRA has established appropriate policies governing investments and trading in securities by its employees

PACRA may provide consultancy/advisory services or other services to any of its clients or to any of its clients' associated companies and associated undertakings that is being rated or has been rated by it. In such cases, PACRA has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities

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PACRA ensures that the credit rating assigned to an entity or instrument should not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship

**Surveillance**

PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security arrangement, the industry etc, is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer

PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including creditor) or upon the occurrence of such an event which requires to do so

PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating

**Reporting of Misconduct**

PACRA has framed and implemented whistle-blower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employees of the company that came to his/her knowledge. The Compliance Officer reports to the BoD and SECP

**Confidentiality**

PACRA has framed a confidentiality policy to prevent abuse of the non-public information by its employees and other persons involved in the rating process, sharing and dissemination of the non-public information by such persons to outside parties

Where feasible and appropriate, prior to issuing or revising a rating, PACRA informs the issuer of the critical information and principal considerations upon which a rating will be based and provide the opportunity to clarify any likely factual misperception or other matter that PACRA would wish to be made aware of in order to produce a fair rating. PACRA duly evaluates the response. Where in a particular circumstance PACRA has not informed the entity/issuer prior to issuing or revising a rating, it informs the entity/issuer as soon as practical thereafter

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Probability of Default (PD)

PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. ([www.pacra.com](http://www.pacra.com)). However, actual transition of rating may not follow the pattern observed in the past